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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank

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Regionalizing Hawaii's Economic Base

One aspect of the process of economic evolution being experienced by the Hawaiian economy that will be assuming greater importance in the years ahead is the spatial distribution of population and economic growth throughout the neighbor islands.

Currently, 78 percent of Hawaii's 1.0 million residents live on Oahu. According to projections by the Department of Planning and Economic Development (DPED), between 1980 and 2005, Oahu's share of total state population will drop to 73 percent, as the population of the neighbor islands rises to 27 percent. While the resident population of Oahu is projected to grow by 25 percent, Hawaii is projected to grow by 59 percent, Kauai by 84 percent, and Maui by 89 percent.

Likewise, by 2005, 26 percent of the civilian jobs in Hawaii will be on the neighbor islands, while 24 percent of the total income earned in the state will be earned by neighbor island residents. Aggregate growth in the labor force is projected to reach 78 percent compared to 27 percent for Honolulu between 1980 and 2005. The leading industry in this process of economic diffusion will be tourism. By 2005, Honolulu will account for 53 percent of the projected visitor census, while the neighbor islands account for 47 percent. However, the neighbor islands will account for 54 percent of projected hotel employment. At present, the neighbor islands already account for 41 percent of total existing hotel units in Hawaii and 60 percent of planned additional units. Recent announcements of large new resort developments in Hapuna and Waikoloa are giving a major boost to the establishment of West Hawaii as the next major Kaanapali-type resort region in the islands. The rapid development of the Poipu area in Kauai also promises to bring Kauai into the mainstream tourist market.

Another industry that will contribute to neighbor island growth will be agriculture. The neighbor islands already account for 94 percent of total acreage in agriculture, 75 percent of the total value of crop sales, and 60 percent of total jobs in agriculture. That will be expected to increase by 2005 as the neighbor islands account for 79 percent of total agricultural jobs. With the additional development of new industries such as aquaculture, alternate energy, astronomy, high technology manufacturing, and the simultaneous expansion of inter-island surface and air transportation, what is emerging are the beginning stages of an integrated economic network in which all the islands are becoming increasingly linked together into an overall regional economic system. One important implication of this process is that future discussions regarding the diversification of the Hawaiian economy cannot be separated from the issue of the spatial decentralization of Hawaii's economic base.

The spatial dispersion of development is often observed by regional economists in the process of economic growth. In the earlier phases of a region or nation's development, it is common for growth to be concentrated in the primary urban center compared to the surrounding regions due to the availability of industrial, transportation, and communications infrastructure, as well as proximity to markets. Labor will tend to migrate to the center in response to greater occupational opportunities, while capital will also tend to concentrate in the urban center due to greater investment opportunities, lower risk, and higher profitability. These factors, combined with government policies that favor the urban center in terms of educational, industrial, and infrastructure development, conspire to create an increasing disparity between the urban center and the poorer surrounding regions. As development proceeds, however, a reversal in the pattern of regional inequality develops. The poorer regions begin closing the development gap between themselves and the urbanized industrial areas through various forms of spread effects involving increasing market relations between regions, the expansion of investments in the lagging regions, and the development of secondary urban centers.

A major factor involving the reduction in interregional disparities, however, is the deliberate commitment by the public sector to mobilize resources through the regional allocation of public investments. In the case of Hawaii, an important aspect of this process will depend in large part on whether county governments can provide the kinds of resources necessary to plan and carry out economic development programs at the county level.

However, evidence indicates that county governments are now facing fiscal problems that may seriously compromise their ability to support future economic growth. For example, according to the Tax Review Commission, based on data from the U.S. Department of Commerce, growth in revenues and expenditures of counties in Hawaii both in total and on a per-capita basis between 1965 and 1981 were not only substantially lower than the U.S. average, but also for the five westernmost states of the country as well. In fact, Hawaii counties experienced a negative growth rate in per-capita expenditures during that period. Also, revenues to county governments in Hawaii are predominantly composed of property taxes (51 percent), grants from the state and federal government (23 percent), and other tax and non-tax sources (26 percent). According to the Tax Foundation of Hawaii, between 1973 and 1983, grants from the federal and state government to the counties have been falling as a percentage of revenues, while dependence on the counties' own property tax base has increased considerably. Under present federal and state revenue-sharing policies, this trend is likely to continue. This is compounded by the fact that counties face severe constraints on debt-financing, both in terms of their ability to finance long-term general-obligation debt, as well as their ability to access special purpose revenue bonds for industrial-development purposes.

If the counties are to support economic growth through the remainder of this century in the face of diminishing state and federal aid, and an increasing reliance on the property-tax base, then there will be a need for policies that allow a greater degree of fiscal autonomy and self-determination for the counties. However, neighbor-island constituencies themselves will also have to increasingly confront the fiscal and tax implications of economic development in terms of the resources that will be required to support future growth.

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u. s. economic indicators

Series	Unit	Period	Number	Percent Change	
				from preceding period	year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	July	166.3p	−0.8	4.5
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	2nd Qtr.	3,648.1	2.7	11.7
In 1972 Dollars	bil. $	2nd Qtr.	1,640.8	1.9	7.6
PERSONAL INCOME**	bil. $	July	3,027.0p	0.8	10.3
RETAIL SALES*	mil. $	July	107,807p	−0.9	9.1
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	June	71,354	−1.3	13.0
BANK LOANS*	bil. $	July	1,235.6p	1.0	14.3
AVERAGE PRIME RATE CHARGED BY BANKS	percent	August	13.0	0.0	19.4
CONSUMER INSTALLMENT DEBT*	mil. $	June	430,131	1.9	18.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	June	310.6p	−0.2	17.6
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	May	353.5	0.3·	5.1
Apts, Hotel, Office Bldgs	1967 = 100	May	369.6	0.8·	5.5
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	July	105,395	−0.3	4.1
UNEMPLOYMENT*	thous.	July	8,543	5.1	−19.4
UNEMPLOYMENT RATE*	percent	July	7.4	5.7	−20.4
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	August	310.3	0.9	3.6
All Urban Consumers	1967 = 100	August	313.0	0.4	4.2
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	July	292.2	0.3	2.5
All Commodities	1967 = 100	June	311.4	−0.1	3.0

p = preliminary.

·Compared to March, 1984.

**Seasonally adjusted.*

***Seasonally adjusted at annual rates.*

Sources:

General Business Indicators—U.S. Department of Commerce.

Banking and Credit—Board of Governors of the Federal Reserve System.

Construction—U.S. Department of Commerce, The American Appraisal Company.

Employment and Prices—U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	July	429,350	−2.5	4.4
	number	Jan.-July	2,864,630	—	12.2
Westbound	number	July	328,200	−2.5	−0.2
	number	Jan.-July	2,210,565	—	10.4
Eastbound	number	July	101,150	−2.6	22.8
	number	Jan.-July	654,065	—	18.9
AVERAGE DAILY VISITOR CENSUS	number	1984	97,395	—	2.8
AVERAGE LENGTH OF STAY	no. of days	1984	10.5	—	0.0
MEETINGS ATTENDANCE	number	July	10,877	−31.3	−54.8
ORGANIZED GROUP TOURS	number	July	71,370	−9.9	0.1
NEIGHBOR ISLAND VISITORS					
Maui	number	July	163,670	−4.3	−0.7
	number	Jan.-July	1,118,740	—	11.9
Hawaii	number	July	66,110	−5.4	−6.1
	number	Jan.-July	458,295	—	4.8
Kauai	number	July	70,230	−10.1	−6.1
	number	Jan.-July	475,580	—	16.2
VISITOR ACCOMMODATIONS					
STATE	number	February	62,448	3.7	6.3
Oahu	number	February	36,848	3.0	7.3
·Waikiki	number	February	32,239	1.2	7.1
Maui (includes 11 on Lanai)	number	February	13,138	4.4	3.1
Molokai	number	February	627	0.2	−0.2
Hawaii	number	February	7,149	−1.3	−4.3
Kauai	number	February	5,313	15.3	26.7
HOTEL OCCUPANCY					
STATE	percent	July	75.1	−3.5	2.0

n.a. = not available.

·Estimated Westbound.

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CURRENT BUSINESS TRENDS

Hawaii's economy reported modest improvement this month. While growth was not as dramatic as seen in previous months, the trend was, nonetheless, in a positive direction.

The July visitor count reported a very moderate 4.4 percent growth over the previous year. Total arrivals increased from 411,100 to 429,350. This brought the cumulative tourist count up to 2,864,630, an impressive 12.2 percent gain over the 2,552,150 travelers arriving during the first seven months of last year. During July, westbound visitors dropped 0.2 percent over the year, while eastbound visitors increased an impressive 22.8 percent. The Hawaii Visitors Bureau attributed the decline in westbound traffic to increased competition from the Olympics, foreign countries with favorable U.S. dollar exchange rates, and the recent demise of two low-cost airlines.

The military showed increased spending during the second quarter. During the first quarter of 1984, defense expenditures were slightly below the same period in 1983, but second-quarter appropriations were 6.9 percent ahead of 1983.

Sugar production so far this year is running an impressive 7.2 percent ahead of 1983. Production during the January-July period weighed in at 649,100 tons compared to 605,600 in 1983. However, the Hawaii Sugar Planters Association expects revenues to be down this year. Increased quotas on foreign sugar, expanded sales of alternate sweeteners, and increased sugar beet production all combined to create an oversupply of sugar in Hawaii's primary market. This in turn has led to a decrease in sugar prices, and therefore a reduction in the outlook for sugar revenues.

The pineapple industry, both the fresh and processed sectors, reported healthy growth during the first half of this year. The value of canned pineapple was up 38.8 percent, from $73.0 million to $101.4 million when the first six months of 1983 and 1984 are compared. During the same period, fresh pineapple shipments were 10.2 percent higher, going from 121 million pounds to 133 million pounds.

Most diversified agricultural crops are enjoying a good year. In some respects, papayas are the front-runners: production for the January-July period was 51.3 percent ahead of the same period in 1983, growing from 25.1 million pounds in 1983 to 38.0 million pounds in 1984. Unfortunately, the current papaya glut drove July's papaya

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	July	81.2	−4.9	0.3
Maui	percent	July	78.7	1.0	7.0
Hawaii	percent	July	53.8	7.2	13.4
Kauai	percent	July	58.0	−12.8	−9.4
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	2nd Qtr.	504.1	5.8	6.9
Military Payroll	mil. $	2nd Qtr.	204.8	2.4	9.1
Civilian Payroll	mil. $	2nd Qtr.	186.3	36.6	29.9
Local Purchases	mil. $	2nd Qtr.	113.1	−19.4	−19.4
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-July	649.1	......	7.2
N. Y. RAW SUGAR PRICE	$/ton	July	438.1	−0.7	−1.0
PINEAPPLE SHIPMENTS					
CANNED	mil. $	Jan.-June	101.4	......	38.8
FRESH	thous. lbs.	Jan.-June	132,908	......	10.2
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products (wholesale)	thous. $	1983	36,165	......	18.2
Anthurium Outshipments	th. dozens	Jan.-July	969.3	......	12.0
Potted Foliage[1]	thous. $	1983	10,836	......	22.9
Other[2]	thous. $	1983	19,294	......	19.8
Fruits & Nuts	thous. $	1983	38,521	......	−8.2
Papaya Sales	th. lbs.	Jan.-July	37,960	......	51.3
Average Farm Price	cents/lb.	July	13.0	−13.3	−37.2
Macadamia Nut Sales (in shell)	th. lbs.	1983	38,160	......	3.9
Average Farm Price	cents/lb.	1983	68.0	......	−8.0
Other[3]	thous. $	1983	3,002	......	−10.7
Vegetable and Melon Production[4]	th. lbs.	Jan.-July	41,629	14.7	2.8
Other Crop Sales[5]	thous. $	1983	11,936	......	41.2
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-July	18,502	......	0.9
Average Farm Price (feedlot beef)	cents/lb.	July	94.5	0.0	−7.8
Hog Production (dressed wt.)	th. lbs.	Jan.-July	3,532	......	0.9
Average Farm Price	cents/lb.	July	104.5	2.0	2.0
Milk Production	mil. lbs.	Jan.-July	90.1	......	2.3
Average Price Sold to Plants	$/100 lbs.	July	18.70	−5.6	0.8
Egg Production	mil.	Jan.-July	124.2	......	8.3
Average Farm Price	cents/doz.	July	90.0	−2.2	5.9
Other Livestock Sales[6]	thous. $	1983	6,420	......	9.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-June	697.1	......	2.8
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-July	220,301	......	6.9
C&C of Honolulu	thous. $	Jan.-July	137,973	......	26.0
Maui County	thous. $	Jan.-July	25,699	......	6.4
Hawaii County	thous. $	Jan.-July	31,508	......	4.1
Kauai County	thous. $	Jan.-July	25,122	......	−40.4
SINGLE FAMILY UNITS					
STATE	number	Jan.-July	2,504	......	19.0
C&C of Honolulu	number	Jan.-July	1,372	......	22.1
Maui County	number	Jan.-July	376	......	15.0
Hawaii County	number	Jan.-July	553	......	8.4
Kauai County	number	Jan.-July	203	......	41.0
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-July	582	......	44.4
C&C of Honolulu	number	Jan.-July	484	......	51.7
Maui County	number	Jan.-July	2	......	−90.0
Hawaii County	number	Jan.-July	57	......	11.8
Kauai County	number	Jan.-July	39	......	200.0
NONRESIDENTIAL					
STATE	thous. $	Jan.-July	125,631	......	−4.1
C&C of Honolulu	thous. $	Jan.-July	85,516	......	6.0
Maui County	thous. $	Jan.-July	9,743	......	4.5
Hawaii County	thous. $	Jan.-July	19,560	......	−4.2
Kauai County	thous. $	Jan.-July	8,891	......	−56.7
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS	thous. $	Jan.-Aug.	224,325	......	32.0

**Coast Guard figures not included.*

**Gross taxable income valued at time of shipment.*

[1] *Potted foliage grown for indoor or patio use.*

[2] *Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.*

[3] *Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.*

[4] *Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.*

[5] *Includes coffee, taro, feed and forage crops, and forest products.*

[6] *Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.*

prices down by 37.2 percent over the year, from 20.7 cents per pound to 13.0 cents per pound. While it is a banner year in terms of production, it is a grim year financially. For the first seven months of the year, farm income was down 32.1 percent from $11.1 million to $8.4 million, in spite of the huge gain in production.

Business activity has shown exceptional growth this year. During June, gross business receipts totalled $2.2 billion, representing the third time this year that sales activity surpassed the $2 billion mark. June's data was a remarkable 46.9 percent above the same month in 1983. Business transactions for the first half of 1984 totalled $12.3 billion, representing a 15.9 percent gain over the $107 billion reported for the same time span in 1983.

The growth in business has expanded the tax base. As a result, tax collections have also shown strong gains in 1984. The cumulative figures indicate that the first seven months of 1984 are 13.3 percent ahead of the same period in 1983. Tax collections increased from $709 million to $803 million.

Unfortunately, the economic growth has yet to be translated into more jobs. Hawaii's overall job count showed no change between July of 1983 and 1984, remaining constant at 451,300. This apparent stability, however, masks a number of counteracting shifts in the labor force. The largest over-the-year gains were seen in areas related to the visitor industry: hotel service jobs in the state expanded by 1,200; other service jobs in the state grew by 1,400; and retail trade jobs increased by 2,500. On the other hand, both the sugar and pineapple industries experienced substantial declines in jobs. To remain financially viable in the face of increasing competition, plantations have had to mechanize, consolidate, and cut back on personnel.

The over-the-month changes also reflect the usual seasonal patterns found in Hawaii's work force. The service sector increased by almost 900 jobs between June and July, largely due to gains in hotel, recreational, and personal services as a result of the increased visitor traffic. The retail trade sector added 700 new jobs. However, most of these were temporary, as large department stores prepared for summer sales. Macadamia nut processing and tuna packing also reported seasonal gains, increasing the manufacturing job count by 600. Local government jobs jumped by 2,800 over-the-month in response to summer youth-employment programs. State government, on the other hand, decreased by 3,600 jobs as the temporary and casual hires were dropped from the educational institution payrolls.

July was one of the few months where construction jobs increased. However, this increase certainly will not be sustained in view of the concrete workers' and electrical workers' strike which began on July 18th, and September 10th, respectively. According to a Department of Labor survey done in mid-September, 1,200 workers filed for unemployment insurance. This included 300 workers on strike or locked-out, and 900

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED (continued)					
BY LEVEL OF GOVERNMENT					
FEDERAL	thous. $	Jan.-Aug.	46,372	......	59.1
STATE	thous. $	Jan.-Aug.	134,028	......	45.8
COUNTY	thous. $	Jan.-Aug.	43,926	......	−10.2
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	Jan.-Aug.	157,935	......	24.4
Maui County	thous. $	Jan.-Aug.	16,754	......	−30.5
Hawaii County	thous. $	Jan.-Aug.	15,902	......	14.8
Kauai County	thous. $	Jan.-Aug.	33,735	......	563.6
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	August	348.2	0.1	3.6
HIGH-RISE	1967 = 100	August	367.0	0.1	3.8
REAL ESTATE					
OAHU: New Sales					
Single Family	number	Jan.-July	897	......	34.5
Condominium	number	Jan.-July	1,176	......	−22.7
Resales					
Single Family	number	Jan.-July	935	......	−5.6
Average Price	dollars	Jan.-July	191,860	......	4.4
Condominium	number	Jan.-July	1,279	......	1.8
Average Price	dollars	Jan.-July	101,903	......	−1.1
MAUI: Resales					
Single Family	number	Jan.-July	123	......	7.0
Average Price	dollars	Jan.-July	170,992	......	2.9
Condominium	number	Jan.-July	252	......	0.4
Average Price	dollars	Jan.-July	141,851	......	−7.3
HAWAII: Resales					
Single Family	number	Jan.-July	186	......	−17.7
Average Price	dollars	Jan.-July	89,125	......	−7.8
Condominium	number	Jan.-July	67	......	4.7
Average Price	dollars	Jan.-July	89,605	......	−22.9
KAUAI: Resales					
Single Family	number	Jan.-July	44	......	41.9
Average Price	dollars	Jan.-July	147,030	......	18.2
Condominium	number	Jan.-July	27	......	125.0
Average Price	dollars	Jan.-July	131,848	......	−20.7
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-June	12,349	......	15.9
DIVERSIFIED MANUFACTURING	mil. $	Jan.-June	279.6	......	19.0
DIVERSIFIED AGRICULTURE	mil. $	Jan.-June	129.4	......	14.4
RETAILING	mil. $	Jan.-June	4,353	......	13.5
WHOLESALING	mil. $	Jan.-June	3,171	......	20.7
SERVICES	mil. $	Jan.-June	2,857	......	17.6
OAHU NEW CAR SALES	number	July	2,358	−46.4	−15.3
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	July	597.3	3.3	2.6
GAS SALES	th. therms.	July	4,005	−2.2	1.4
TELEPHONE LINES IN SERVICE	thous.	July	467.2	0.2	3.7
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised), All items	1967 = 100	August	293.6	0.9*	5.5
All Urban Consumers, All Items	1967 = 100	August	286.0	0.5*	4.6

**Compared to June, 1984.*

Sources:

Tourism—Hawaii Visitors Bureau. Pannell, Kerr, Forster.

Defense—Reports from various branches of the armed forces.

Sugar—Hawaiian Sugar Planters' Association.

Pineapple—Hawaii State Department of Taxation. Hawaii State Department of Agriculture.

Diversified Agriculture—Hawaii State Department of Agriculture.

Construction—Hawaii State Department of Taxation. Honolulu County Building Department. Hawaii, Kauai, and Maui County departments of public works.

Real Estate—Monitor Hawaii, Inc. Locations Inc., First Hawaiian Bank, Research Department.

Business Sales—Hawaii State Department of Taxation. Cardinal Mailing Services, Ltd.

Public Utilities—Hawaiian Electric Company, Inc. Citizens Utilities Company. Molokai Electric Co., Ltd. Gasco, Inc. Hawaiian Telephone Company.

Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

others laid off because of the strike/lockout. This would represent a 9 percent drop in the overall construction job count.

AIR TRAVEL IN HAWAII

The economy of each of Hawaii's counties is greatly dependent on the health of the air travel industry, which serves as the lifeline for the visitor industry and as an essential bridge linking the various islands into a total state economy. With the advent of sweeping changes affecting the airlines, Hawaii's air transportation industry has entered a new era of heightened competition, expanded service, and shifting travel patterns.

Perhaps the event that has most transformed air transportation in recent years is the passage by Congress of the Airline Deregulation Act of 1978. This Act greatly loosened air carrier operations from federal control, allowing airlines to establish new routes, end unprofitable ones, raise or lower fares, and make other changes that formerly required governmental approval. The Act also set January 1, 1985 as the termination date for the airline regulatory agency, the Civil Aeronautics Board.

Since 1978, Hawaii's air travel patterns have seen many changes, much of it due to the new free market environment. In interisland travel, Mid Pacific Air started operations in 1981, and quickly established itself as a serious competitor to the long-time carriers, Hawaiian and Aloha Airlines. In 1983, Mid Pacific achieved a 20 percent market share, attributable to its aggressive marketing, low fares, and convenient location for Mainland tourists visiting the Neighbor Islands in the Honolulu International Airport (HIA) main terminal.

However, Mid Pacific lost its locational advantage in its recent move into the interisland terminal. Also, to meet the challenge of Mid Pacific's nonunion operations, both Aloha and Hawaiian trimmed their personnel rolls and negotiated tough wage and benefit concessions from their unions. Ticket prices were cut, and promotional efforts stepped up. Following Mid Pacific's lead, Hawaiian placed into service its own economical turboprop planes. Last year, Aloha and Hawaiian enjoyed a windfall from a 1983 U.S. Supreme Court decision exempting intra-state airline revenues from the 4-percent Hawaii Public Service Company tax, an action which resulted in proportionally larger savings for their companies than for Mid Pacific. In a bold move, Aloha and Hawaiian also began to extend their service boundaries beyond the state. Aloha initiated service to Guam, Taipei, and other destinations in the Pacific Basin, while Hawaiian

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began charter service to the Mainland and several European countries.

Hawaii's overseas air travel market has also experienced profound changes since deregulation in 1978. For the time being, air fares have stabilized after years of upward movement, reflecting the moderation in fuel prices and growing airline competition. For example, the one-way, regular weekend coach fare from San Francisco to Honolulu was $144 on June 1, 1978, and rose to $353 by June of this year. After inflation is taken into account, however, the 1982 fare actually rose to just $222 in constant 1978 dollars, where it remained this June. As a percentage of real per capita disposable incomes, the San Francisco-Hawaii fare rose from 2.1 percent to 3.1 percent between 1978 and 1982, and fell to 2.9 percent of per capita income as of this past June. If fuel prices continue to remain stable as real incomes rise, the cost of flying to Hawaii for Mainland vacationers will continue to be quite attractive.

Airline deregulation has also affected Hawaii's air travel market in other ways. Capitalizing on the opportunities brought by deregulation, overseas carriers have started new direct flights from the Mainland to the Neighbor Islands: to Keahole, Kona in September, 1983; to Kahului, Maui in January, 1984; and now to Lihue, Kauai this past August. While HIA's overseas passenger loads have remained flat in recent years, the new flights doubled the number of Neighbor Island overseas passengers in 1983.

For many years, the only alternative gateway to the Mainland outside of Honolulu was General Lyman Field in Hilo. This airport has slipped steadily in overseas passenger volume after peaking at 341,629 passengers in 1969, just two years after its inaugural direct flight in 1967. Last year, Kahului Airport overtook General Lyman Field to become the state's second largest gateway for overseas travelers.

The new direct Mainland flights have also brought new routes for overseas air cargo to and from the Neighbor Islands. Prior to 1982, overseas air cargo to the Neighbor Islands had to be routed either through Honolulu or through Hilo. Since 1982, however, new overseas air cargo lanes have been opened to Kona, Maui, and Kauai. In just two years, direct overseas air cargo loads to and from Kona and Maui have grown from virtually zero to 631 tons of cargo in 1983, and loads for the first 6 months of this year are already at 724 tons. With the addition of Mainland flights to Lihue, the new routes will bring faster service and greater capacity between overseas markets and expanding diversified agriculture and manufacturing enterprises on each of the Neighbor Islands.

Given the inherent diversity of the

population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous.	July 1, 1983	1,119	......	2.9
TOTAL RESIDENT—STATE	thous.	July 1, 1983	1,023	......	2.7
C&C of Honolulu	thous.	July 1, 1983	797	......	2.6
Maui County	thous.	July 1, 1983	83	......	3.4
Hawaii County	thous.	July 1, 1983	101	......	3.3
Kauai County	thous.	July 1, 1983	42	......	2.0
CIVILIAN RESIDENT—STATE	thous.	July 1, 1983	964	......	2.4
MILITARY PERSONNEL—STATE	number	July 1, 1983	59,021	......	−3.4
Ashore	number	July 1, 1983	53,755	......	−0.8
Afloat	number	July 1, 1983	5,266	......	−23.9
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1983	66,252	......	−0.7
FOREIGN IMMIGRATION[1]	number	12 mo. total for period ending 8/84	5,285	−1.9	−0.1
PERSONAL INCOME					
TOTAL PERSONAL INCOME**	mil. $	1st Qtr., 1984	12,911	2.1	6.0
Employment Income[2]	mil. $	1st Qtr., 1984	9,490	1.9	5.0
Manufacturing	mil. $	1st Qtr., 1984	473	4.0	4.4
Construction & Mining[3]	mil. $	1st Qtr., 1984	547	−3.0	−2.5
Wholesale	mil. $	1st Qtr., 1984	404	2.3	6.6
Retail	mil. $	1st Qtr., 1984	1,068	1.3	6.9
Finance, Ins. & Real Estate	mil. $	1st Qtr., 1984	616	1.7	5.1
Trans., Comm., & Util.	mil. $	1st Qtr., 1984	772	2.4	−2.3
Services	mil. $	1st Qtr., 1984	2,117	1.2	11.0
Farm & Other	mil. $	1st Qtr., 1984	352	0.9	3.8
Federal Civilian	mil. $	1st Qtr., 1984	856	1.2	1.3
Federal Military	mil. $	1st Qtr., 1984	1,166	5.4	7.2
State & Local	mil. $	1st Qtr., 1984	1,117	2.2	2.9
Property Income (Dividends, Interest, Rent)	mil. $	1st Qtr., 1984	2,330	3.6	10.3
Transfer Payments (1,697) minus Personal Contributions For Social Ins. (585)	mil. $	1st Qtr., 1984	1,092	0.4	6.4
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1982	11,614	......	5.2
PER CAPITA BY COUNTY					
C&C of Honolulu	dollars	1982	12,130	......	5.3
Maui County	dollars	1982	10,458	......	7.1
Hawaii County	dollars	1982	9,148	......	2.2
Kauai County	dollars	1982	9,869	......	5.8

***Total personal income and all components are seasonally adjusted at annual rates.*

[1] *These immigration statistics include only those entering Honolulu ports and do not include status changes.*

[2] *Includes wage and salary disbursements, proprietors' income, and other labor income.*

[3] *Income from mining not shown separately to avoid disclosure of confidential information.*

Sources:

Population—Hawaii State Department of Planning and Economic Development. U.S. Bureau of the Census. U.S. Immigration and Naturalization Service.

Personal Income—U.S. Department of Commerce, Bureau of Economic Analysis.

HAWAIIAN BANK
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employment and unemployment in hawaii

Series	Unit	Period	Number	Percent Change	
				from preceding period	year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	July	484.1p	0.2	0.9
Employment	thous.	July	454.7p	0.2	1.2
Unemployment	thous.	July	29.3p	−0.7	−4.2
Unemployment Rate	percent	July	6.1p	0.0	−4.7
C & C OF HONOLULU					
Civilian Labor Force	thous.	July	369.1p	0.1	1.0
Employment	thous.	July	349.0p	0.0	1.3
Unemployment	thous.	July	20.1p	0.5	−2.9
Unemployment Rate	percent	July	5.5p	1.9	−3.5
MAUI COUNTY					
Civilian Labor Force	thous.	July	45.1p	0.4	1.3
Employment	thous.	July	41.9p	0.5	1.9
Unemployment	thous.	July	3.1p	0.0	−8.8
Unemployment Rate	percent	July	6.9p	−1.4	−10.4
HAWAII COUNTY					
Civilian Labor Force	thous.	July	47.7p	0.8	0.2
Employment	thous.	July	43.5p	1.9	1.4
Unemployment	thous.	July	4.3p	−6.5	−8.5
Unemployment Rate	percent	July	8.9p	−8.2	−9.2
KAUAI COUNTY					
Civilian Labor Force	thous.	July	22.1p	0.0	−1.8
Employment	thous.	July	20.3p	−1.0	−2.9
Unemployment	thous.	July	1.8p	5.9	5.9
Unemployment Rate	percent	July	8.1p	3.8	5.2
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	July	451.3p	0.4	0.0
SUGAR (mill and field)	thous.	July	8.3p	0.0	−2.4
PINEAPPLE (cannery and field)	thous.	July	6.3p	1.6	−16.0
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	July	16.4p	3.8	3.1
Durable Goods	thous.	July	3.7p	2.8	0.0
Non-Durable Goods	thous.	July	12.7p	5.0	3.3
Apparel and Textiles	thous.	July	2.9p	0.0	0.0
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple, but including agricultural self-employed)	thous.	July	8.3p	3.8	−3.5
CONTRACT CONSTRUCTION	thous.	July	16.9p	1.2	−5.6
TRANSPORTATION	thous.	July	21.1p	0.0	1.4
COMMUNICATION	thous.	July	7.3p	0.0	−2.7
UTILITIES	thous.	July	2.5p	0.0	0.0
RETAIL TRADE	thous.	July	90.6p	0.8	2.8
WHOLESALE TRADE	thous.	July	18.5p	1.1	1.1
FINANCE, INSURANCE AND REAL ESTATE	thous.	July	31.1p	0.0	−2.2
HOTEL SERVICES—STATE	thous.	July	27.9p	0.7	4.5
Honolulu County	thous.	July	15.9p	1.3	6.7
Maui County	thous.	July	6.2p	1.6	5.1
Hawaii County	thous.	July	3.5p	0.0	0.0
Kauai County	thous.	July	2.3p	0.0	0.0
OTHER SERVICES	thous.	July	78.7p	0.8	1.8
FEDERAL GOVERNMENT	thous.	July	31.9p	−0.6	−1.2
Civilian Agencies	thous.	July	11.3p	0.0	0.0
Defense Department	thous.	July	20.7p	0.0	−1.4
STATE GOVERNMENT	thous.	July	42.7p	−7.8	1.4
COUNTY GOVERNMENT	thous.	July	15.5p	22.0	−7.7
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	July	12,213	11.0	−17.9
INTRASTATE INITIAL CLAIMS	number	July	5,919	2.0	0.1
INTERSTATE INITIAL CLAIMS	number	July	390	26.6	35.4
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	July	6,169	9.7	−1.3

p = preliminary.

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

Neighbor Islands, it is not surprising that the changes in air travel since 1978 have affected each island and its airport facilities in a unique way. These changes bear a closer look.

Oahu

Still Hawaii's principal air traffic hub, Honolulu International Airport has seen relatively little change in passenger and cargo volumes since 1978. Overseas passenger loads in 1983 were up 15 percent over 1978, while interisland passenger loads increased just 4 percent. Over the same period, overseas air cargo increased 12 percent while interisland cargo crept up 3 percent.

The statistics for the number of aircraft operations at the airport, counting all takeoffs and landings, tell a more interesting story. From 1978 levels, total aircraft operations actually fell 12 percent by 1983 despite an increase in the number of air carrier flights. This drop in traffic occurred principally because of a 46 percent decline in general aviation uses of the airport over that period.

Hawaii

The State's first beneficiary of direct Mainland flights after deregulation, Keahole Airport in Kona has just begun to reverse years of declines in passenger loads and aircraft operations between 1978 and 1983. On the other side of the island, General Lyman Field in Hilo has been falling steadily in passenger volume from 1978 to 1983, dropping by 78 percent in overseas passengers and 18 percent in interisland passengers. Total air cargo has likewise fallen 38 percent over the same period, although aircraft operations edged up 3 percent.

The functions of Big Island airports have also changed over the years. In 1978, Keahole was dominated by general aviation traffic, which accounted for 45 percent of all takeoffs and landings. But by June of this year, general aviation's share had dropped to 25 percent, while the traffic shares of air taxi and military flights had grown substantially. The number of commercial air carrier flights increased only 1.4 percent during the period. As the direct overseas flights continue, however, the proportion of commercial usage can be expected to increase.

At General Lyman Field, air traffic in 1978 was primarily composed of commercial and general aviation flights. By June of this year, however, air carrier flights had fallen so much that general aviation and a growing military aircraft sector had become the new dominant users of General Lyman Field.

Interestingly, the pattern of overseas travel through the Big Island seems also to have changed. In 1978, General Lyman Field was the Big Island's only overseas travel facility, and it tended to be used by overseas travelers as a point of departure from Hawaii rather than as a point of entry. With the opening of Keahole to direct Mainland flights, overseas travelers now tend to use Keahole as a Big Island gateway into the state. A pattern exists in the Big Island's interisland travel market as well, with people tending to arrive

public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	July	60,947	−0.6	−4.5
Services	no./cases	2nd Qtr.	7,029	1.5	8.0
Medical	no./patients	July	46,384	−9.2	−7.3
Food Stamps	no./persons	June	98,982	1.0	−1.3
PAYMENTS					
Income Maintenance	thous. $	July	8,388	−0.5	−5.9
Services	thous. $	2nd Qtr.	2,883	−23.8	−23.5
Medical	thous. $	July	12,530	−17.1	−0.6
Food Stamps	thous. $	June	6,528	0.6	−0.1

[1] Count of recipients is duplicated. A person may be counted in each category.

Sources:

Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	July	6,343	−0.7	12.6
Honolulu County	mil. $	July	5,261	−0.4	12.6
Maui County	mil. $	July	407	−1.8	16.5
Hawaii County	mil. $	July	457	−0.6	13.5
Kauai County	mil. $	July	217	−5.2	4.1
Debits to Demand Deposits					
STATE	mil. $	July	7,973	0.4	15.6
Honolulu County	mil. $	July	7,321	0.3	15.5
Maui County	mil. $	July	273	0.9	25.1
Hawaii County	mil. $	July	268	0.1	17.9
Kauai County	mil. $	July	111	6.0	−3.6
Loans Outstanding—Total	mil. $	2nd Qtr., 1984	4,017	3.9	n.a.
Real estate	mil. $	2nd Qtr., 1984	1,662	1.1	0.8
Consumer	mil. $	2nd Qtr., 1984	902	6.1	13.3
Commercial & Industrial	mil. $	2nd Qtr., 1984	1,111	4.3	0.6
Other	mil. $	2nd Qtr., 1984	342	11.8	n.a.
SAVINGS & LOAN ASSOCIATIONS[1]					
Total Deposits	mil. $	June	3,805	0.4	7.1
Loans	mil. $	June	51	−26.0	14.1
Residential	mil. $	June	29	33.1	13.1
Other	mil. $	June	22	−53.2	15.5
STATE TAX COLLECTIONS[2]					
TAX COLLECTIONS—STATE	thous. $	Jan.-July	803,469	......	13.3
Honolulu County	thous. $	Jan.-July	703,633	......	13.5
Maui County	thous. $	Jan.-July	42,727	......	9.3
Hawaii County	thous. $	Jan.-July	41,642	......	17.9
Kauai County	thous. $	Jan.-July	15,468	......	1.1

na = not available due to changes in reporting forms.

[1] Includes data for both Hawaii and Guam.

[2] Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:

Finance—Hawaii State Department of Commerce and Consumer Affairs. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.

State Tax Collections—Hawaii State Department of Taxation.

in the island via Hilo and exiting through Kona.

Maui

Like Keahole, Kahului Airport has also experienced increasing passenger loads and aircraft operations. In the interisland market, Kahului's resurgent interisland passenger loads have begun to eclipse the levels of 1978. In the overseas market, Kahului's 1983 passenger tally of 321,000, which is more than that year's overseas passenger count for all of the Big Island, was enough to boost Kahului's total passenger volume 10 percent above 1978 levels. The growth in passenger volume has resulted in frequent congestion at Kahului. A new and bigger airport facility is planned, but latest projections put its completion at least four years away.

The mix of air traffic at Kahului has also undergone dramatic shifts. Compared to 1978, air carrier operations are now 36 percent higher as a proportion of all traffic, while general aviation's share of traffic has diminished by a comparable percentage. This means that Kahului has changed from an airport almost equally used by commercial air carriers, air taxis, and general aviation into a facility clearly dominated by commercial airline operations.

For many years, there has been talk of a new airfield at West Maui, with Mahinahina most recently named as the prospective site. However, previous development efforts have met with considerable community opposition. In the current initiative, Hawaiian Airlines and Maui Land & Pineapple Company have agreed to develop the Mahinahina site into a private airfield, which would operate during the daylight hours only and be open to all carriers meeting short takeoff and low noise requirements. Once all of the necessary permits are obtained, completion of the long-sought West Maui airfield could take about a year.

Kauai

Hawaii's latest airport to receive direct Mainland flights, Lihue Airport experienced a 23 percent drop in passenger volume from 1978 to 1983, and a 4 percent drop in aircraft operations. In air cargo, loads carried interisland rose from 9,418 tons in 1978 to 12,860 tons in 1980, but fell to 11,331 tons in 1983.

As is true with the other airports in the state, Lihue's mix of aircraft operations has also undergone interesting changes. Since 1978, the proportion of traffic represented by general aviation has fallen 56 percent, and the proportion in commercial airline flights is also down 40 percent. The big gainer amidst these declines is air taxi operations, which have jumped 80 percent since 1978, from a 37 percent share to a 67 percent share. Clearly, air taxis have become the dominant user of Lihue Airport. However, with a $39 million Lihue Airport expansion underway and new direct flights starting into Lihue, the proportion of commercial airline flights can be expected to increase. The new airport, which will be three times the size of the old facility, is slated to open in fall of 1985.

ECONOMIC INDICATORS

A Bimonthly Report on Current Economic Conditions in Hawaii
by the Research Department, First Hawaiian Bank

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Prospects for an Inter-Island Power Cable

Since 1981, the Hawaii Deep Water Electrical Transmission Cable Demonstration (HDWC) Program has been studying a project which could alleviate Hawaii's expensive dependence on imported fuel oil for electricity. In this project, an inter-island power cable would link the anticipated abundant renewable energy resources of the Big Island with the high energy demands of Oahu, where 80 percent of the state's electricity is consumed.

In its recently issued report, the HDWC Program examined the legal, organizational, and financial issues involved in obtaining the necessary federal, state, and county permits, managing the huge project from development to installation and operation, and securing the over $400 million needed to finance the project.

At over 170 miles in length, the proposed inter-island power cable would be the longest in the world, longer than the current record 130 mile cable linking Norway and Denmark. The Hawaii cable would also be the deepest ever laid, traversing the 7,000 foot depths of the Alenuihaha Channel between the Big Island and Maui. Nine possible routes for the cable were examined in the report, with one route connecting electricity users on Maui and Molokai with the new energy grid. If selected, this route would provide Maui and Molokai consumers relief from the high electricity rates they presently pay.

One complicating factor is the necessity that the cable system proceed hand in hand with the development of alternative energy on the Big Island, in particular, the geothermal resources in Puna. Given the enormous financing demands of both the cable and any major alternative energy producing source, both the energy production and transmission facilities must be utilized at full capacity as soon as possible in order to generate maximum revenues. Therefore, besides being a giant undertaking in itself, an inter-island power cable would also involve the coordinated development of what in effect would be an inter-island energy grid spanning at least two islands and over 170 miles of deep ocean. In linking the islands, the cable would provide the foundation for future economic development, not only of the neighbor islands, but also of the state as a whole. In short, an inter-island energy grid, of which the cable would be a central part, would be a powerful force drawing the various islands into an integrated economic system.

However, prior to implementation, the proposed cable system would be subject to a host of laws and regulations at various levels of government. At the international level, it appears that the cable would comply with the provisions of the 1982 United Nations Convention on the Law of the Sea, although the United States has yet to acknowledge the terms of the treaty. At the federal level, various environmental laws and regulations would apply, while the State of Hawaii and the respective counties would add further legal requirements that the cable project must satisfy.

The type of organization required to manage the cable project was another area of exploration. Whether a public or private entity, a joint venture among private or public corporations, or a limited partnership, the cable agency would be subject to regulation by the Hawaii Public Utilities Commission. The form of ownership of the cable system is also open to many possibilities, including public or private ownership, or joint-venture ownership among private or public corporations. The entity owning the system could also be different from the entity operating the system.

Ten alternative institutional arrangements were compared by the HDWC Program in terms of their ease of establishment and operation, regulatory burden, and governmental permit requirements. In general, it was found that private arrangements could be more easily established and operated, while public arrangements would enjoy more favorable treatment in the permitting process.

Finally, three financing approaches were examined: self-supported financing based solely on projected-generated revenues, credit-supported financing involving obligations to investors, and a combined approach mixing both credit and investment financing. The combined approach was deemed most appropriate for a cable project. Potential sources of capital include State general-obligation bonds, tax-exempt revenue bonds including special-purpose industrial-development bonds, private lease financing, private limited-partnership equity, and corporate-equity joint-venture arrangements.

The report concluded with five major recommendations: (1) several detailed scenarios should be developed to flesh out the options for cable development, construction, financing, operation, and regulation; (2) a plan should be formulated to coordinate the development of a cable system and the Big Island's renewable energy resources; (3) an analysis should be made to determine the appropriate price for electricity carried by the cable system; (4) a fast-track governmental permitting process should be developed to expedite the project; and (5) a comprehensive analysis should be made of any federal, state, or county legislation needed to develop, construct, finance, or operate the cable system.

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ECONOMIC INDICATORS

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Revising Hawaii's System of Taxation

One of the most comprehensive proposals for the reform of Hawaii's tax system was recently released for consideration in the 1985 Legislative biennium. Originally conceived in 1978 by amendment to the Constitution of the State of Hawaii, the Tax Review Commission was established in 1980 to evaluate the state tax structure, formulate revenue and tax policy recommendations, and submit its findings to the legislature.

Like any other state, the historical development of the Hawaiian tax system was influenced by economic, political, and social factors. Yet, ideas as to what constitutes a "good" tax system have had their influence. Apart from adequacy of revenues: (1) the distribution of the tax burden should be equitable. Everyone should pay their "fair share;" (2) taxes should not interfere with economic growth; (3) the tax system should be easy to administer by the government, and easy to understand by the taxpayer; and (4) the costs of administration and compliance should be as low as possible.

The first principle, the equity or "fair share" requirement is based on two underlying concepts. The first concerns the "benefit" principle where each taxpayer contributes in accordance with the benefits received from public services. The other concept concerns the "ability-to-pay" where each taxpayer contributes according to ability to pay. This calls for equal amounts of tax to be paid when incomes are equal, and for different amounts when incomes differ. Both rules are part of the same principle of equal treatment, which says that taxes should impose an equal sacrifice on all persons regardless of income. In short, those who make more should pay more, and vice-versa.

In the light of these requirements, the Tax Review Commission has taken a decisive step toward proposing a tax system that insures greater fairness in tax burdens, increased support for business, and greater efficiency of administration.

The Commission's recommendations enhance the equity of the tax system by: (1) reaffirming the desirability of a progressive income-tax rate system; (2) eliminating special income and excise tax preferences; (3) bringing the state individual income-tax base into closer conformity with the federal income tax through inclusion of pension and social security income; (4) adjusting income-tax rates for the effects of inflation; (5) adopting the alternative minimum income tax; and (6) adjusting Hawaii corporate income tax brackets to achieve a more progressive tax burden. In addition, the concept of taxation according to benefit received clearer definition in the recommendations to: (1) separate state special funds, such as highways, airports, harbors, parking, unemployment compensation, and disability compensation, from the general fund, and place them on a self-supporting basis; and (2) increase fees for the use of public facilities and services more in accordance with the value of the service received.

Negative impacts of tax policy on businesses would be resolved by recommendations to: (1) replace the present general excise tax with a uniform privilege-of-business tax on the gross receipts of all businesses, and a 4 percent net-excise tax, which will reduce tax pyramiding; (2) adjust excise tax credits for inflation; and (3) exempt goods exported out-of-state from the net-excise tax.

To attain efficiency of administration, the recommendations call for: (1) utilizing specific expenditure programs to aid businesses rather than tax incentives; and (2) utilizing tax credits rather than exemptions for food and drug purchases.

In view of the high priority given to equity and efficiency in the overall recommendations, the issue of adequate revenues assumes heightened importance. One recommendation had to do with the establishment of a "rainy-day" fund to stabilize year-to-year fluctuations in revenues. Other recommendations included: (1) a hotel-room tax; (2) revising depreciation rates for corporations; (3) placing public-service companies under the excise tax rules; (4) establishing a means by which commercial airlines contribute to the general tax fund; (5) changing the tax on fuel and liquor to a percentage basis; (6) reviewing taxation policies for insurance companies and financial institutions; and (7) considering the adoption of a state lottery system.

Clearly, the Tax Review Commission proposals represent a broad-based, thorough, and comprehensive review of our Hawaii tax system. At the same time, however, given the quality and intent of the proposals, numerous questions remain to be answered. What will be the true tax incidence effects of the recommendations on the business community and general public? Will there be in fact a net improvement in Hawaii's business climate, particularly with Hawaii's many small businesses? What will be the administrative costs of transforming Hawaii's present system of taxation to the one being proposed?

For example, in the case of the general-excise tax, imposing an across-the-board one-half percent privilege tax results in a completely new and unpredictable pattern of tax incidence among various industries. One alternative, originally suggested in a 1968 study by Arthur D. Little, Inc. would be to retain the existing general-excise tax system, but apply a reduced one-half percent tax on all interfirm transactions.

More attention also needs to be focussed on the county governments' power to issue special purpose revenue bonds for industrial-development purposes, as well as whether the county property-tax base is sufficient to finance long-term demands for county public services.

Another area deserving attention is the costs of implementing the proposals both in terms of the costs to the state government to establish and administer the new system of taxation, as well as the costs to businesses in complying with the new tax system.

The Tax Review Commission has developed a commendable blueprint for Hawaii's tax system. To the extent that the details can be worked out within the framework of the basic principles established in the recommendations, the Commission will have fulfilled its constitutional mandate, and Hawaii will be one step closer to a more equitable and efficient system of taxation.

Copies of the complete recommendations are available from the Tax Review Commission.

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u. s. economic indicators

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967=100	Sept.	164.6p	0.4	2.7
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	3rd Qtr.	3,701	1.5	10.6
In 1972 Dollars	bil. $	3rd Qtr.	1,650	0.7	6.5
PERSONAL INCOME**	bil. $	Sept.	3,071p	0.9	10.3
RETAIL SALES*	mil. $	Sept.	108,520p	1.6	9.0
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	August	270.9	−1.6	10.4
BANK LOANS*	bil. $	Sept.	1,251p	0.8	14.1
AVERAGE PRIME RATE CHARGED BY BANKS	percent	October	12.6	−3.1	14.5
CONSUMER INSTALLMENT DEBT*	mil. $	August	443,235	1.4	19.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	Sept.	315.3p	1.1	11.9
CONSTRUCTION COST INDEXES					
Residences	1967=100	July	360.3	1.9'	5.5
Apts, Hotel, Office Bldgs	1967=100	July	362.6	0.8'	3.6
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	Sept.	105,239	0.3	3.3
UNEMPLOYMENT*	thous.	Sept.	8,460	−0.8	−18.3
UNEMPLOYMENT RATE*	percent	Sept.	7.3	−1.4	−19.8
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967=100	October	312.2	0.0	3.6
All Urban Consumers	1967=100	October	315.3	0.3	4.2
PRODUCER PRICE INDEXES					
Finished Goods*	1967=100	October	291.6	−0.2	3.1
All Commodities	1967=100	August	310.9	−0.4	2.0

p=preliminary.
'Compared to May, 1984.

*Seasonally adjusted.
**Seasonally adjusted at annual rates.

Sources:
General Business Indicators—U.S. Department of Commerce.
Banking and Credit—Board of Governors of the Federal Reserve System
Construction—U.S. Department of Commerce, The American Appraisal Company.
Employment and Prices—U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
TOURISM					
OVERNIGHT OR LONGER VISITORS	number	Sept.	342,200	−20.7	7.8
	number	Jan.-Sept.	3,633,430	......	10.7
Westbound	number	Sept.	247,160	−25.0	5.1
	number	Jan.-Sept.	2,787,460	......	8.6
Eastbound	number	Sept.	95,040	−6.7	15.4
	number	Jan.-Sept.	850,970	......	18.1
AVERAGE DAILY VISITOR CENSUS	number	1983	97,395	......	2.8
AVERAGE LENGTH OF STAY	no. of days	1983	10.5	......	0.0
MEETINGS ATTENDANCE	number	Sept.	20,861	110.4	26.7
ORGANIZED GROUP TOURS	number	Sept.	59,590	−11.5	11.2
NEIGHBOR ISLAND VISITORS'					
Maui	number	Sept.	125,020	−21.6	1.7
	number	Jan.-Sept.	1,406,550	......	10.0
Hawaii	number	Sept.	52,230	−15.9	2.5
	number	Jan.-Sept.	573,990	......	4.3
Kauai	number	Sept.	60,680	−13.3	2.8
	number	Jan.-Sept.	607,590	......	13.3
VISITOR ACCOMMODATIONS					
STATE	number				
Oahu	number	June	37,910	2.9	10.3
Waikiki	number	June	33,192	3.0	10.2
Maui (includes 12 on Lanai)	number	June	13,336	1.5	5.2
Molokai	number	June	629	0.3	0.0
Hawaii	number	June	7,209	0.8	−2.2
Kauai	number	June	5,501	3.5	22.9
HOTEL OCCUPANCY					
STATE	percent	Sept.	69.9	−11.3	6.2

n.a. = not available.
'Estimated Westbound.

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CURRENT BUSINESS TRENDS

The visitor industry continued on its way to a record year. During September, 342,200 tourists came to Hawaii, representing a healthy 7.8 percent improvement over September 1983. September's figures brought the cumulative total to 3,638,430, a substantial 10.7 percent gain compared to the same period in 1983.

Though westbound visitors (those coming from the Mainland, Canada, and Europe) continued to be the mainstay of the tourist industry, eastbound visitors (those coming from Asia, primarily Japan and Oceania) rose significantly this year. During the January to September 1984 period, westbound visitors totaled 2,787,460, which was 8.6 percent ahead of the same period in 1983. Eastbound visitors totaled 850,970 during this same period, an impressive 18.1 percent growth. 1984 was the first year that the eastbound visitor count exceeded one million.

Travel by westbound visitors to the Neighbor Islands has also increased. Maui County with 1,406,550 arrivals so far this year, showed a 10.0 percent growth over 1983. Kauai County's total for the January-September period was 607,590, a significant 13.3 percent above the previous year. Hawaii County reported 573,990 visitors, a relatively low gain of 4.3 percent.

The tourist industry expects the last quarter to finish on a very strong note. The recent realtor's convention should help to boost the November visitor numbers. December also promises to set records; incoming airline flights are booked solid for the holiday season. This includes Delta Airlines which will begin daily flights to Honolulu on December 14th. Interisland airlines also have reported significantly higher advanced bookings for this holiday, when compared to a year ago. Similarly, most of the major hotels are fully booked for the Christmas and New Year period. As a result, the Hawaii Visitors Bureau (HVB) has projected a record-breaking 4.5 million visitors for this year.

Construction remained the one area that has not benefited from the economic recovery. As of August, the total dollar value of construction put in place was down by 2.2 percent from the previous year; the value dropped from $918.0 million for January through August of 1983 to $897.4 million for the same period in 1984.

In the private sector, permit data suggested that this trend will continue, even if labor problems are solved. The dollar value of residential permits for the first nine months of 1984 was 8.8 percent below the

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	Sept.	75.7	−10.5	5.3
Maui	percent	Sept.	69.8	−16.9	1.6
Hawaii	percent	Sept.	51.1	−6.2	27.4
Kauai	percent	Sept.	59.6	−9.7	−4.6
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	3rd Qtr.	482.3	−0.3	−0.1
Military Payroll	mil. $	3rd Qtr.	214.4	2.2	0.6
Civilian Payroll	mil. $	3rd Qtr.	140.0	−12.7	−2.8
Local Purchases	mil. $	3rd Qtr.	127.8	12.4	1.7
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-Sept.	916.7	......	6.2
N. Y. RAW SUGAR PRICE	$/ton	Sept.	434.1	−1.1	−2.4
PINEAPPLE SHIPMENTS					
CANNED[2]	mil. $	Jan.-Aug.	134.4	......	22.5
FRESH	thous. lbs.	Jan.-Sept.	187.5	......	1.8
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products (wholesale)	thous. $	1983	36,165	......	18.2
Anthurium Outshipments	th. dozens	Jan.-Sept.	1,283	......	8.2
Potted Foliage[3]	thous. $	1983	10,836	......	22.9
Other[4]	thous. $	1983	19,294	......	19.8
Fruits & Nuts	thous. $	1983	38,521	......	−8.2
Papaya Sales	th. lbs.	Jan.-Sept.	49,260	......	60.9
Average Farm Price	cents/lb.	Sept.	14.0	16.7	−54.8
Macadamia Nut Sales (in shell)	th. lbs.	1983	38,160	......	3.9
Average Farm Price	cents/lb.	1983	68.0	......	−8.0
Other[5]	thous. $	1983	3,002	......	−10.7
Vegetable and Melon Production[6]	th. lbs.	Jan.-Sept.	52,316	......	1.4
Other Crop Sales[7]	thous. $	1983	11,936	......	41.2
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-Sept.	23,422	......	−1.6
Average Farm Price (feedlot beef)	cents/lb.	Sept.	93.5	−0.5	0.0
Hog Production (dressed wt.)	th. lbs.	Jan.-Sept.	4,469	......	−0.2
Average Farm Price	cents/lb.	Sept.	105.0	1.9	4.0
Milk Production	mil. lbs.	Jan.-Sept.	113.8	......	1.2
Average Price Sold to Plants	$/100 lbs.	Sept.	20.67	10.1	−0.1
Egg Production	mil.	Jan.-Sept.	159.2	......	7.4
Average Farm Price	cents/doz.	Sept.	86.0	−2.3	3.0
Other Livestock Sales[8]	thous. $	1983	6,420	......	9.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-Aug.	897.4	......	−2.2
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-Sept.	283,223	......	−8.8
C&C of Honolulu	thous. $	Jan.-Sept.	179,336	......	2.0
Maui County	thous. $	Jan.-Sept.	32,399	......	5.6
Hawaii County	thous. $	Jan.-Sept.	40,179	......	−1.4
Kauai County	thous. $	Jan.-Sept.	31,309	......	−50.7
SINGLE FAMILY UNITS					
STATE	number	Jan.-Sept.	3,277	......	25.7
C&C of Honolulu	number	Jan.-Sept.	1,807	......	36.8
Maui County	number	Jan.-Sept.	489	......	15.1
Hawaii County	number	Jan.-Sept.	708	......	7.6
Kauai County	number	Jan.-Sept.	273	......	34.5
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-Sept.	699	......	−63.1
C&C of Honolulu	number	Jan.-Sept.	583	......	−66.1
Maui County	number	Jan.-Sept.	6	......	−72.7
Hawaii County	number	Jan.-Sept.	71	......	−4.1
Kauai County	number	Jan.-Sept.	39	......	−49.4
NONRESIDENTIAL					
STATE	thous. $	Jan.-Sept.	154,333	......	−11.1
C&C of Honolulu	thous. $	Jan.-Sept.	104,102	......	−4.6
Maui County	thous. $	Jan.-Sept.	14,232	......	10.3
Hawaii County	thous. $	Jan.-Sept.	23,313	......	−12.3
Kauai County	thous. $	Jan.-Sept.	10,764	......	−57.0
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS	thous. $	Jan.-Oct.	324,199	......	45.3

[2] *Gross taxable income valued at time of shipment.*

[3] *Potted foliage grown for indoor or patio use.*

[4] *Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.*

[5] *Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.*

[6] *Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.*

[7] *Includes coffee, taro, feed and forage crops, and forest products.*

[8] *Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.*

1983 value, dropping from $310.7 million to $283.2 million. Nonresidential permits were lower, falling by 11.1 percent over the year, from $173.6 million to $154.3 million.

Government construction offered the one bright spot in the construction picture. Contracts awarded during the first ten months of 1984 were 45.3 percent ahead of last year; the total leaped from $223.2 million in 1983 to $324.2 million in 1984. This was the product of divergent trends. Construction at the county level was down by 8.7 percent, decreasing from $62.4 million in 1983 to $56.9 million in 1984. The dollar value of state contracts jumped by 32.9 percent over the year from $119.8 million in 1983 to $159.2 million in 1984. The most impressive gain was seen in federal projects which increased by an extraordinary 163.3 percent, from $41.0 million in 1983 to $108.1 million in 1984. Added maintenance and repair responsibilities contributed to this increase. Among the major contracts awarded were $12.0 million for a new barracks and dining facility at Schofield Barracks, $7.5 million to repair Halsey Terrace housing, and $8.1 million for installation of heat pumps at Aliamanu Military Reservation and Schofield Barracks. It was estimated by the Army Corp of Engineers that 85 to 90 percent of the projects were awarded to local private contractors.

Statewide, the unemployment rate grew by one-half of one percent, going from 6.1 percent in August to 6.6 percent in September. On a national level, that made Hawaii one of only three states (besides North Dakota and Alaska) that showed jobless rate increases in September. However, Hawaii still remained below the national unemployment average of 7.1 percent.

A portion of this rise in joblessness was expected, attributable to the usual seasonal layoffs. However, a marked gain was also seen when Septembers of 1983 and 1984 were compared. Unemployment jumped from 6.2 percent in September of 1983 to 6.6 percent in September of 1984. This represented the first time in 1½ years that unemployment experienced an over-the-year increase. The Department of Labor and Industrial Relations stated that part of this gain was due to the effects of labor disputes in the construction industry.

All of the counties showed over-the-month growth in unemployment ratios. Oahu reported the smallest gain, going from 5.8 percent in August to 6.2 percent in September. Hawaii County's rate increased from 8.1 percent in August to 8.7 percent in September, and Maui County's increased from 6.5 percent in August to 7.3 percent in September. Kauai County suffered the severest gain, jumping over a full percentage point from 7.5 percent in August to 8.7 percent in September.

Contributing to the increased unemployment rate was a dramatic job count reduction during September. The number of jobs in the state fell by 2.7 percent between August and September, representing a loss of 12,250 jobs. Most of the decreases were seasonal. State and county government payrolls were reduced by 5,750 jobs. Most of these were

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED (continued)					
BY LEVEL OF GOVERNMENT					
FEDERAL	thous. $	Jan.-Oct.	108,066	......	163.3
STATE	thous. $	Jan.-Oct.	159,193	......	32.9
COUNTY	thous. $	Jan.-Oct.	56,940	......	−8.7
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	Jan.-Oct.	242,630	......	41.8
Maui County	thous. $	Jan.-Oct.	27,276	......	−1.7
Hawaii County	thous. $	Jan.-Oct.	17,152	......	−3.7
Kauai County	thous. $	Jan.-Oct.	37,141	......	472.7
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	October	351.1	0.1	3.4
HIGH-RISE	1967 = 100	October	369.7	0.2	3.2
REAL ESTATE					
OAHU: New Sales					
Single Family	number	Jan.-Oct.	1,234	......	37.7
Condominium	number	Jan.-Oct.	1,823	......	−5.7
Resales					
Single Family	number	Jan.-Sept.	1,281	......	−2.5
Average Price	dollars	Jan.-Sept.	188,722	......	4.2
Condominium	number	Jan.-Sept.	1,688	......	1.4
Average Price	dollars	Jan.-Sept.	102,451	......	−1.3
MAUI: Resales					
Single Family	number	Jan.-Sept.	155	......	6.9
Average Price	dollars	Jan.-Sept.	180,572	......	13.2
Condominium	number	Jan.-Sept.	310	......	−2.2
Average Price	dollars	Jan.-Sept.	143,856	......	−4.7
HAWAII: Resales					
Single Family	number	Jan.-Sept.	254	......	−11.8
Average Price	dollars	Jan.-Sept.	[illegible]	......	−6.1
Condominium	number	Jan.-Sept.	81	......	5.2
Average Price	dollars	Jan.-Sept.	96,718	......	−16.1
KAUAI: Resales					
Single Family	number	Jan.-Sept.	55	......	25.0
Average Price	dollars	Jan.-Sept.	134,015	......	9.2
Condominium	number	Jan.-Sept.	31	......	72.2
Average Price	dollars	Jan.-Sept.	129,648	......	−16.3
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-Aug.	16,076	......	11.0
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Aug.	368.1	......	9.0
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Aug.	165.3	......	11.4
RETAILING	mil. $	Jan.-Aug.	5,670	......	8.7
WHOLESALING	mil. $	Jan.-Aug.	4,141	......	16.1
SERVICES	mil. $	Jan.-Aug.	3,696	......	13.0
OAHU NEW CAR SALES	number	Sept.	1,803	−31.3	−24.4
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Sept.	583.0	−2.9	0.0
GAS SALES	th. therms.	Sept.	3,786	1.3	−1.3
TELEPHONE LINES IN SERVICE	thous.	Sept.	470.6	0.4	3.8
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised), All Items	1967 = 100	October	294.5	0.3*	3.0
All Urban Consumers, All Items	1967 = 100	October	287.4	0.5*	4.0

*Compared to August, 1984.

Sources:

Tourism—*Hawaii Visitors Bureau. Pannell, Kerr, Forster.*

Defense—*Reports from various branches of the armed forces.*

Sugar—*Hawaiian Sugar Planters' Association.*

Pineapple—*Hawaii State Department of Taxation. Hawaii State Department of Agriculture.*

Diversified Agriculture—*Hawaii State Department of Agriculture.*

Construction—*Hawaii State Department of Taxation. Honolulu County Building Department. Hawaii, Kauai, and Maui County departments of public works. First Hawaiian Bank, Research Department.*

Real Estate—*Monitor Hawaii, Inc. Locations Inc.*

Business Sales—*Hawaii State Department of Taxation. Cardinal Mailing Services, Ltd.*

Public Utilities—*Hawaiian Electric Company, Inc. Citizens Utilities Company. Molokai Electric Co., Ltd. Gasco, Inc. Hawaiian Telephone Company.*

Honolulu Prices—*U.S. Department of Labor, Bureau of Labor Statistics.*

students hired temporarily for the summer. Pineapple canneries decreased their work force by 2,000 as the summer harvest season wound down. Retail stores laid off 1,000 temporary summer sales and inventory workers. Construction jobs dropped by more than 800. This was largely due to the electricians' strike and the concrete workers' walkout.

Total personal income figures for the second quarter of 1984 showed strong gains, reflecting overall improvements in the economy. Between the second quarters of 1983 and 1984, total personal income in the state increased by 7.8 percent, from $12.3 billion in 1983 to $13.3 billion in 1984. However, Hawaii remained behind the national average which expanded by 9.8 percent over the year, growing from $2.7 trillion in the second quarter of 1983 to $3.0 trillion during the same period in 1984. This represented real gains since the inflation rate during the second quarter was held to 4.3 percent both locally and on a national basis.

THE STATE WATER CODE

A proposed State Water Code has just been developed by the State Advisory Study Commission on Water Resources for public review and presentation to the 1985 Legislature in January. This code attempts to assist in the protection, control, and regulation of Hawaii's water resources, as well as establish a State Water Resources Agency, as mandated by the Hawaii Constitution.

Besides being constitutionally required, the water code is especially needed now to help clarify Hawaii's water laws, which are in limbo due to years of legal challenges. These laws have their origin in ancient Hawaii, where the use and distribution of water was governed by a complex system of water rights which basically apportioned water according to one's holding of land. As westerners came to Hawaii, ambitious irrigation projects were undertaken by the sugar companies to supply their plantations. To protect these enormous investments, western notions of water as private property were introduced into Hawaiian law. Although attempts were made to weave this historical patchwork of water law into a consistent framework, water rights today remain confusing and uncertain.

Perhaps the most significant court case in which fundamental principles of Hawaii's water law are now at stake is one known as *McBryde Sugar Co. v. Robinson*, which was decided in 1973. In this case, the Hawaii Supreme Court established two stunning principles. First, contrary to past practice,

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population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous.	July 1, 1984	1,143	......	2.1
TOTAL RESIDENT—STATE	thous.	July 1, 1984	1,040	......	1.7
C&C of Honolulu	thous.	July 1, 1984	805.6	......	1.2
Maui County	thous.	July 1, 1984	83.2	......	4.4
Hawaii County	thous.	July 1, 1984	106.8	......	2.7
Kauai County	thous.	July 1, 1984	44.8	......	2.8
CIVILIAN RESIDENT—STATE	thous.	July 1, 1984	979.6	......	1.2
MILITARY PERSONNEL—STATE	number	July 1, 1984	60,800	......	3.0
Ashore	number	July 1, 1984	56,321	......	4.8
Afloat	number	July 1, 1984	4,483	......	−16.5
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1984	57,083	......	1.3
FOREIGN IMMIGRATION[1]	number	12 mo. total for period ending 10/84	5,413	−0.9	1.4
PERSONAL INCOME					
TOTAL PERSONAL INCOME**	mil. $	2nd Qtr.	13,273	2.0	7.8
Employment Income[2]	mil. $	2nd Qtr.	9,663	1.5	6.9
Manufacturing	mil. $	2nd Qtr.	455	−1.7	5.1
Construction & Mining[3]	mil. $	2nd Qtr.	534	−0.4	2.3
Wholesale	mil. $	2nd Qtr.	407	2.5	10.3
Retail	mil. $	2nd Qtr.	1,101	2.7	9.3
Finance, Ins. & Real Estate	mil. $	2nd Qtr.	667	1.4	6.7
Trans., Comm., & Util.	mil. $	2nd Qtr.	857	1.9	6.5
Services	mil. $	2nd Qtr.	2,116	3.3	10.6
Farm & Other	mil. $	2nd Qtr.	303	4.1	1.3
Federal Civilian	mil. $	2nd Qtr.	856	0.1	−0.3
Federal Military	mil. $	2nd Qtr.	1,243	−0.5	10.7
State & Local	mil. $	2nd Qtr.	1,123	1.1	3.5
Property Income (Dividends, Interest, Rent)	mil. $	2nd Qtr.	2,504	4.1	13.2
Transfer Payments (1,743) minus Personal Contributions For Social Ins. (637)	mil. $	2nd Qtr.	1,106	1.7	4.2
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1983	12,114	......	4.5
PER CAPITA BY COUNTY					
C&C of Honolulu	dollars	1982	12,130	......	5.3
Maui County	dollars	1982	10,458	......	7.1
Hawaii County	dollars	1982	9,148	......	2.2
Kauai County	dollars	1982	9,869	......	5.8

***Total personal income and all components are seasonally adjusted at annual rates.*

[1] *These immigration statistics include only those entering Honolulu ports and do not include status changes.*

[2] *Includes wage and salary disbursements, proprietors' income, and other labor income.*

[3] *Income from mining not shown separately to avoid disclosure of confidential information.*

Sources:

Population—*Hawaii State Department of Planning and Economic Development. U.S. Bureau of the Census. U.S. Immigration and Naturalization Service.*

Personal Income—*U.S. Department of Commerce, Bureau of Economic Analysis.*

the Court declared that water could no longer be transported from one watershed to another. Rights to water could not be transferred or sold, and past contracts making such transfers were voided. Secondly, although the Court in the past had upheld the private ownership of surface water by the sugar companies who developed the water, the Court now declared that water was "owned" by the state. In 1982, the Court clarified this ruling to mean that: (1) water transfers were still possible, but had to respect the rights of existing users; and (2) that the state had the power to regulate the water as a public trust, rather than materially owning the water. Thus, the ruling merely reaffirmed the state's long-standing regulatory powers.

With the *McBryde* case currently on appeal to the U.S. Ninth Circuit Court, the uncertainty created by the fundamental water rights issues has clouded the present development of the State Water Code and its proposed water permit system. While waiting for a decision on *McBryde*, the people of Hawaii are scrutinizing the provisions of the proposed water code.

In its original draft issued this past September, the proposed code addressed all ground water, surface water, and coastal water in the state, and is based on a system of permits for water use. Under this system, all water users except for individual domestic users must obtain a permit for a specified quantity of water good for 30 years, with permit renewals to be granted except in the most compelling circumstances. In making permit renewals, existing water users are explicitly favored over new users. Permit decisions are to be made by the Board of Land and Natural Resources, based on its finding whether the proposed water use: (1) is a "reasonable/beneficial" use; (2) will not interfere with any existing legal use of water; and (3) is consistent with the public interest and the State Water Plan. Existing users must also have a water use which conforms to Hawaii common law, a requirement for which compliance presumably can only be determined after *McBryde* is settled. Water may be transferred from one watershed to another if the Board deems the action to be in the public interest. Permits may themselves be transferred if the conditions of use are the same, and the Board is notified.

The most controversial provision contained in the draft is the requirement that any change in water usage by a permit holder must be approved by the Board. This includes any change in the land area irrigated, the amount of water used, the method of irrigation employed, and the site of water withdrawal or diversion. Critics of this re-

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employment and unemployment in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	Sept.	466.1p	−2.9	1.1
Employment	thous.	Sept.	435.3p	−3.4	0.6
Unemployment	thous.	Sept.	30.9p	4.7	8.4
Unemployment Rate	percent	Sept.	6.6p	8.2	6.5
C & C OF HONOLULU					
Civilian Labor Force	thous.	Sept.	355.7p	−2.9	1.4
Employment	thous.	Sept.	333.9p	−3.2	1.0
Unemployment	thous.	Sept.	21.9p	3.8	10.1
Unemployment Rate	percent	Sept.	6.2p	6.9	8.8
MAUI COUNTY					
Civilian Labor Force	thous.	Sept.	42.3p	−5.2	1.0
Employment	thous.	Sept.	39.2p	−6.0	1.3
Unemployment	thous.	Sept.	3.1p	6.9	−3.1
Unemployment Rate	percent	Sept.	7.3p	12.3	−3.9
HAWAII COUNTY					
Civilian Labor Force	thous.	Sept.	46.5p	−1.3	0.9
Employment	thous.	Sept.	42.5p	−1.8	0.2
Unemployment	thous.	Sept.	4.1p	7.9	10.8
Unemployment Rate	percent	Sept.	8.7p	7.4	7.4
KAUAI COUNTY					
Civilian Labor Force	thous.	Sept.	21.7p	−1.4	−2.7
Employment	thous.	Sept.	19.8p	−2.9	−4.3
Unemployment	thous.	Sept.	1.9p	11.8	18.8
Unemployment Rate	percent	Sept.	8.7p	16.0	20.8
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	Sept.	436,550p	−2.7	0.3
SUGAR (mill and field)	thous.	Sept.	8,000p	−2.4	−4.2
PINEAPPLE (cannery and field)	thous.	Sept.	3,900p	−33.9	−10.3
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	Sept.	15,850p	−0.9	0.3
Durable Goods	thous.	Sept.	3,200p	−3.0	−5.9
Non-Durable Goods	thous.	Sept.	12,650p	−0.4	2.0
Apparel and Textiles	thous.	Sept.	2,850p	−1.7	−3.4
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple, but including agricultural self-employed)	thous.	Sept.	8,250p	0.0	−2.4
CONTRACT CONSTRUCTION	thous.	Sept.	15,150p	−5.3	−15.4
TRANSPORTATION	thous.	Sept.	21,300p	0.0	2.9
COMMUNICATION	thous.	Sept.	7,300p	−0.7	−2.0
UTILITIES	thous.	Sept.	2,450p	0.0	2.1
RETAIL TRADE	thous.	Sept.	89,500p	−1.1	2.3
WHOLESALE TRADE	thous.	Sept.	18,200p	−0.8	1.1
FINANCE, INSURANCE AND REAL ESTATE	thous.	Sept.	30,750p	−1.3	−1.8
HOTEL SERVICES—STATE	thous.	Sept.	27,300p	−1.4	3.2
Honolulu County	thous.	Sept.	15,600p	−1.6	6.5
Maui County	thous.	Sept.	6,000p	−1.6	−1.6
Hawaii County	thous.	Sept.	3,450p	0.0	3.0
Kauai County	thous.	Sept.	2,250p	−2.2	−6.3
OTHER SERVICES	thous.	Sept.	78,000p	0.3	2.2
FEDERAL GOVERNMENT	thous.	Sept.	32,050p	−0.3	0.5
Civilian Agencies	thous.	Sept.	11,600p	1.3	2.7
Defense Department	thous.	Sept.	20,450p	−1.2	−0.7
STATE GOVERNMENT	thous.	Sept.	39,850p	−6.5	1.7
COUNTY GOVERNMENT	thous.	Sept.	12,800p	−18.9	0.8
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	Sept.	11,932	1.2	−14.4
INTRASTATE INITIAL CLAIMS	number	Sept.	6,495	4.0	14.8
INTERSTATE INITIAL CLAIMS	number	Sept.	317	−18.7	−17.4
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Sept.	6,194	−1.1	6.4

p = preliminary.

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

quirement have charged that this may impose a severe hardship for both water users and government regulators due to the sheer volume of applications and approvals which would have to be processed if the provision were to be strictly enforced.

Overall, the code represents a strong regulatory approach to water allocation. An alternative approach recommended by many economists is to let the marketplace allocate water and water rights according to prices determined by supply and demand, much like any other commodity. In the western states, such systems have been used in conjunction with governmental water management programs that document the size of water resources and the amount each user consumes, adjudicate water allocation disputes, and administer water transfers and the entry of new users. In the experience of states such as New Mexico, these market systems have encouraged the reallocation of water to more profitable uses. This contrasts with the record of regulatory systems, which have tended to fix in place inefficient patterns of usage, to protect existing users at the expense of new users, to discourage new water development, to sometimes reward wasteful consumption, and to be incapable of an objective and equitable determination of priority among water uses. Governmental systems, typically based on ambiguous notions of "beneficial" or "reasonable" use, also are said to offer less security to the holders of water rights than afforded by market systems.

Opponents of a market approach to water argue that water is inherently unfit for market allocation; that the market will not protect third parties affected by water rights transfers; that if water rights can be sold, the rich will eventually own all the water; that agricultural uses will be priced out of the market by heavy municipal users; and that the public interest and the environment cannot be well served by the profit-minded market. Supporters of the market approach counter that the mainland experience with market systems does not support those concerns, and that the regulatory approach, with its vulnerability to politics and bureaucratic inefficiency, has little to recommend itself as an alternative.

Much of the debate over the control of water as a natural resource depends on how water is defined as an economic resource. In this regard, water can be viewed either as a private or public good. A private good is defined as a commodity whose benefits are fully captured by those who pay for them. These types of goods are most appropriately distributed through the marketplace. Public goods are those whose benefits cannot be limited to those persons who pay for them, such as national defense, university educational systems, or clean air. These types of goods are most efficiently provided through the government. Public goods also include items so valued by society that they are provided as a matter of principle, such as elementary and secondary education. From this point of view, although the benefits of water may be fully captured by those paying

public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	Sept.	60,705	−0.5	−4.1
Services	no./cases	3rd Qtr.	6,903	−1.8	−3.0
Medical	no./patients	Sept.	43,783	−14.8	−[illegible]7.0
Food Stamps	no./persons	August	98,432	0.0	−[illegible].0
PAYMENTS					
Income Maintenance	thous. $	Sept.	8,389	−0.7	−5.7
Services	thous. $	3rd Qtr.	3,369	16.9	−1.3
Medical	thous. $	Sept.	9,141	−32.4	−40.6
Food Stamps	thous. $	August	6,540	0.6	0.5

[1]*Count of recipients is duplicated. A person may be counted in each category.*

Sources:

Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	Sept.	6,373	−0.5	12.2
Honolulu County	mil. $	Sept.	5,260	−0.2	12.3
Maui County	mil. $	Sept.	411.6	−2.8	15.6
Hawaii County	mil. $	Sept.	469.0	−0.9	10.3
Kauai County	mil. $	Sept.	231.6	−1.1	7.0
Debits to Demand Deposits					
STATE	mil. $	Sept.	7,350	−10.5	−2.3
Honolulu County	mil. $	Sept.	6,748	−10.1	−2.7
Maui County	mil. $	Sept.	254.1	−18.5	3.0
Hawaii County	mil. $	Sept.	245.4	−11.1	5.3
Kauai County	mil. $	Sept.	101.5	−11.7	−0.8
Loans Outstanding—Total	mil. $	3rd Qtr.	3,970	−1.2	9.0
Real estate	mil. $	3rd Qtr.	1,644	−1.1	−0.4
Consumer	mil. $	3rd Qtr.	909.6	0.9	11.8
Commercial & Industrial	mil. $	3rd Qtr.	1,126	1.4	7.4
Other	mil. $	3rd Qtr.	290.1	−15.2	127.0
SAVINGS & LOAN ASSOCIATIONS[1]					
Total Deposits	bil. $	August	3,741	−0.1	5.6
Loans	mil. $	August	52.4	21.2	84.6
Residential	mil. $	August	37.6	57.7	201.1
Other	mil. $	August	14.8	−23.7	−7.0
STATE TAX COLLECTIONS[2]					
TAX COLLECTIONS—STATE	thous. $	Jan.-Sept.	1,042,186	......	9.5
Honolulu County	thous. $	Jan.-Sept.	911,511	......	9.1
Maui County	thous. $	Jan.-Sept.	56,149	......	9.9
Hawaii County	thous. $	Jan.-Sept.	54,190	......	11.0
Kauai County	thous. $	Jan.-Sept.	20,337	......	20.1

na = not available due to changes in reporting forms.

[1]*Includes data for both Hawaii and Guam.*

[2]*Excludes property taxes which were formerly collected by the State but are now collected by the Counties.*

Sources:

Finance—Hawaii State Department of Commerce and Consumer Affairs. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.

State Tax Collections—Hawaii State Department of Taxation.

for it, water can also be considered as a "merit" good that each individual member of society is entitled to receive.

However, this does not in itself argue for a totally government-controlled water allocation system. There are a range of arrangements between a totally public and a totally private system in which the pricing of water and water rights could be applied to varying degrees. In other words, if Hawaii is to select a highly regulatory version of the water code like the initial draft, it must do so for reasons that go beyond purely economic principles.

Water rights experts who have looked at Hawaii's system have identified several other important issues which a new water code should address: (1) What are the water rights of native Hawaiians? (2) How can more efficient or valuable users of water purchase the water rights of less productive users? (3) How does the proposed code protect against the intrusion of politics in water allocation decisions? (4) How is private investment in water development supported? (5) How are water users encouraged to take into account the long-term consequences of their actions on water resources? (6) In requiring users to reapply for their water permits even if they use less water, how would wasteful consumption in order to avoid the necessity of reapplication be discouraged?

These are difficult issues. How they are addressed will depend, in part, on whether an overall regulatory or market approach is taken in water rights and allocation. Essentially, the choice for policymakers is between the concern for equity that the regulatory approach represents, versus the flexibility and efficiency of the market.

Rather than totally embracing either concept, a combined approach may be the most appropriate. For example, a market-oriented system may be appropriate under normal water conditions, while a regulatory approach might be necessary under conditions of water shortage. Similarly, the system could apply different degrees of regulation for different parts of the state. Only Oahu now has a foreseeable water supply problem, with West Maui a potential future candidate. In general, among the neighbor islands, the problem appears to be one of insufficient water development rather than of insufficient water supply. The water code could therefore provide a more market-oriented approach for the neighbor islands, reserving stricter regulation for Oahu.

The range of possible options concerning regulatory versus market approaches to water rights and allocation are varied. An ideal solution would seek to combine the best of both approaches, tailoring the system to the diverse water supplies, water demands, geography, micro-climates, and infrastructure development within the state. Already, public comments on the draft code have expressed the need for flexibility, greater security for water developments, and for easing the regulatory burden. The challenge will be to address these varied concerns, while maintaining the degree of consensus needed to adopt the Code.

For further information, contact the Legislative Reference Bureau.

ECONOMIC INDICATORS

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ECONOMIC INDICATORS

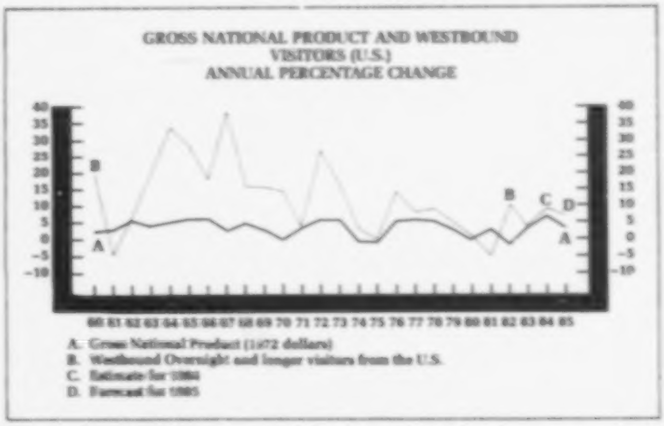
Research Department, First Hawaiian Bank

January/February 1985

Prospects for the Hawaiian Economy in 1985

Given the anticipated moderation in national economic growth in 1985, questions arise as to the implications for Hawaii's major industries.*

Tourism is the area of major concern. Mainland visitors comprise 58 percent of all travelers to Hawaii. While industry spokespersons forecast a strong first quarter for 1985, based on advanced bookings and reservations, growth in the second half will be increasingly against the background of a weakening national economy. The accompanying graph shows an increasing convergence between mainland visitor counts and national economic fluctuations. In general, upturns in tourism growth tend to lag upturns in the economy by approximately one year, while downturns in visitor counts occur during or immediately after downturns in the national economy.



One factor that might offset the weakening in the national market is the international tourist market, which totals 1.3 million visitors or 29 percent of Hawaii's travel market. Of that total, 77 percent originate from Asian countries, principally Japan, 18 percent come from Canada, while 5 percent come from Europe, South America, and other countries. The Japanese market promises to maintain strong growth rates in 1985, due to growth in the Japanese economy. The Canadian segment, however, will be affected by a weakening economy. On the other hand, the strong U.S. dollar will continue to hamper Hawaii's international markets, particularly for those countries showing weaker economic growth.

Another factor is the airline industry. In the last three years, reflecting the national economic expansion, and the deregulation of the airline industry, six new airline routes were established to Honolulu, and seven new direct routes were established to the Neighbor Islands. If Mainland visitor counts decline, the industry may find itself with overcapacity in the face of diminishing demand. With world oil prices falling, the stage may be set for intense fare competition in the Mainland to Hawaii market. However, it could also lead to failures of airlines, such as in the case of Hawaii Express and Pacific East Air in 1984. The recent fare discount moves by American Airlines, while more in response to competitive conditions on the Mainland, could signal potential impacts on Hawaii if demand begins to fall off. This could have a positive effect on Hawaii visitor counts.

Thus, given increasing uncertainty in the market, overall growth rates in visitor counts will most likely drop from 11 percent in 1984 to 5 to 7 percent in 1985.

Increases in interest rates will not help the construction or real estate industry. Settlement of labor disputes should stimulate increased activity in the first half of 1985, but the potential for growth will diminish if interest rates rise in the second half of 1985 as forecast.

Military expenditures decreased in real terms in 1984 due to post-Hurricane Iwa reconstruction in 1983. For 1985, defense expenditures should return to their long-term real growth rate of around 8 percent, which has prevailed since the beginning of the Reagan Administration.

Sugar revenues are expected to drop by 5 percent in 1985 as a result of reduced production due to droughts since 1983, increased competition from chemical sweeteners, and higher foreign sugar quotas. Prospects for the renegotiation of sugar supports in the Farm Bill also look uncertain in the context of a free market oriented Reagan Administration, and a deficit reduction-minded Congress.

The pineapple industry also faces uncertainty in 1985. While the canned market saw a strong 19-percent increase in 1984, most of the improvement reflected the success of the private-label focus of Maui Land & Pine Co., Del Monte, and Dole, however, have faced increasing production cutbacks and corporate reorganization, increasing uncertainty in the industry for 1985.

Thus, the outlook for 1985 indicates continuing growth in the first half of 1985, but a potential for diminished growth in the second half of the year. In this regard, promotion of the Japanese visitor market, as well as the overall industry may play a key role in stimulating growth in 1985. For the longer term, however, greater efforts need to be directed toward diversifying Hawaii's economic base.

**See the back cover story for a forecast of the national economy in 1985.*

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u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	4th Qtr.	3,747p	1.4	9.2
In 1972 Dollars	bil. $	4th Qtr.	1,657p	0.7	5.3
PERSONAL INCOME**	bil. $	Nov.	3,100p	0.7	9.4
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	Nov.	73,024	−3.2	12.8
BANK LOANS*	bil. $	Nov.	1,275p	1.2	14.2
AVERAGE PRIME RATE	percent	Dec.	11.06	−6.0	0.5
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	Oct.	315.8p	1.7	17.9
CONSTRUCTION COST INDEXES:					
Residences	1967 = 100	Sept.	362.6	0.6¹	5.7
Apts, Hotel, Office Bldgs	1967 = 100	Sept.	363.3	0.2¹	3.0
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	Nov.	105,872	0.3	3.2
UNEMPLOYMENT*	thous.	Nov.	8,154	−3.3	−13.5
UNEMPLOYMENT RATE*	percent	Nov.	7.0	−4.1	−15.7
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967 = 100	Dec.	312.2	0.1	3.5
All Urban Consumers	1967 = 100	Dec.	315.5	0.1	4.0
PRODUCER PRICE INDEXES:					
Finished Goods*	1967 = 100	Nov.	292.4p	0.5	1.9
All Commodities	1967 = 100	Oct.	309.4p	0.0	1.1

p - preliminary. ¹*Compared to July, 1984.* **Seasonally adjusted.* ***Seasonally adjusted at annual rates.*

business activity in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
TOURISM					
VISITOR EXPENDITURES	mil. $	1983	4,000p	......	8.1
OVERNIGHT OR LONGER VISITORS	number	Dec.	426,790p	12.2	6.9
	number	Jan.-Dec.	4,826,640p	......	10.6
Westbound	number	Dec.	325,300p	8.5	6.6
	number	Jan.-Dec.	3,701,780p	......	9.1
Eastbound	number	Dec.	101,490p	25.8	7.9
	number	Jan.-Dec.	1,124,860p	......	15.7
AVERAGE DAILY VISITOR CENSUS	number	Jan.-Dec.	105,770p	......	8.4
AVERAGE LENGTH OF STAY	no. of days	Jan.-Dec.	10.5p	......	0.0
MEETING ATTENDANCE	number	Jan.-Dec.	295,152	......	20.5
ORGANIZED GROUP TOURS	number	Jan.-Dec.	892,540p	......	15.1
NEIGHBOR ISLAND VISITORS:¹					
Maui County	number	Dec.	144,410p	−3.7	1.8
	number	Jan.-Dec.	1,849,800p	......	8.9
Hawaii	number	Dec.	61,740p	2.7	−2.8
	number	Jan.-Dec.	756,890p	......	2.7
Kauai	number	Dec.	63,790p	−2.4	12.5
	number	Jan.-Dec.	806,620p	......	13.0
VISITOR ACCOMMODATIONS:					
STATE	number	June	63,956	2.4	8.6
Oahu	number	June	37,910	2.9	10.3
Waikiki	number	June	33,192	3.0	10.2
Maui Island	number	June	12,695	1.6	5.4
Molokai	number	June	629	0.3	0.0
Lanai	number	June	12	0.0	9.1
Hawaii	number	June	7,209	0.8	−2.2
Kauai	number	June	5,501	3.5	22.9
HOTEL OCCUPANCY:					
STATE	percent	Nov.	77.1p	1.7	18.4
	percent	Jan.-Nov.	77.3p	......	9.2
Oahu	percent	Nov.	82.5p	4.6	20.1
	percent	Jan.-Nov.	82.9p	......	8.5
Maui Island	percent	Nov.	80.1p	−3.6	9.7
	percent	Jan.-Nov.	81.9p	......	7.3
Hawaii	percent	Nov.	60.7p	2.7	26.7
	percent	Jan.-Nov.	55.9p	......	18.9
Kauai	percent	Nov.	60.5p	−7.8	16.8
	percent	Jan.-Nov.	63.7p	......	9.5

p - preliminary. ¹*Estimated Westbound.*

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CURRENT BUSINESS TRENDS

Visitor arrivals broke all records during 1984. According to the latest figures released by the Hawaii Visitors Bureau, 4,826,640 people came to Hawaii last year. This represented a giant 10.6 percent gain over the 4,364,980 tourists seen in 1983. That was the best growth rate since 1976, the only other year in the past decade to show double digit expansion.

Dramatic gains in the Eastbound market were an important factor contributing to the record year. Visitors coming from Japan, Asia, and Oceania totalled 1,124,860 during 1984. That was 15.7 percent above the 972,000 arrivals in 1983. It also made 1984 the first year that the Eastbound tourist count broke the one million mark.

The Westbound traveler market grew by a more modest but still respectable 9.1 percent, going from 3,392,980 in 1983 to 3,701,780 in 1984. The visitor count from Hawaii's major market, California, dropped by 14 percent during 1984. But, other regions more than made up for the loss.

While all counties showed over-the-year increases in travelers, the growth was not equal. Returning to pre-Hurricane Iwa levels, Kauai County led with a 13.0 percent improvement; visitors increased from 713,930 in 1983 to 806,620 in 1984. Maui reported a healthy 8.9 percent over-the-year growth, from 1,698,630 in 1983 to 1,849,800 in 1984, while the Big Island had the smallest gain. Visitor traffic increased by a moderate 2.7 percent, from 737,180 in 1983 to 756,890 in 1984.

Unemployment in the state made unexpected improvements during the month of November. The jobless rate dropped from 6.3 percent in October to 5.7 percent in November. The construction worker strikes and lockouts that have beset the industry since July led to higher than usual unemployment rates in the second half of 1984. That the November rate fell was, in part, due to the settlement of one of these strikes. Most of the drop, however, was due to year-end seasonal expansion.

The number of jobs in the state jumped from 443,950 in October to 448,950 in November, a substantial

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	year to 3rd Qtr.	1,449	......	−0.1
Military Payroll	mil. $	year to 3rd Qtr.	628.9	......	5.6
Civilian Payroll	mil. $	year to 3rd Qtr.	437.7	......	4.0
Local Purchases	mil. $	year to 3rd Qtr.	382.5	......	−11.9
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-Nov.	1,040	......	2.8
N. Y. RAW SUGAR PRICE	$/ton	Jan.-Nov.	435.9	......	−1.4
PINEAPPLE SHIPMENTS					
CANNED[2]	mil. $	Jan.-Nov.	193.1	......	14.3
FRESH	thous. lbs.	Jan.-Nov.	222.8	......	0.3
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1983	112,618	......	8.3
FLOWERS & NURSERY PRODUCTS	thous. $	1983	36,165	......	18.2
Anthurium Outshipments[3]	th. dozens	Jan.-Nov.	1,606	......	4.3
Potted Foliage Plants	thous. $	1983	10,836	......	22.9
FRUITS & NUTS	thous. $	1983	38,521	......	−8.2
Papaya Sales	th. lbs.	Jan.-Nov.	60,760	......	49.5
Average Farm Price	cents/lb.	Nov.	13.0	−31.6	13.0
Macadamia Nut Sales (in shell)	th. lbs.	1983	38,160	......	3.9
Average Farm Price	cents/lb.	1983	68.0	......	−8.0
VEGETABLES AND MELONS[4]	th. lbs.	Jan.-Nov.	61,040	......	−1.0
LIVESTOCK	thous. $	1983	86,413	......	10.2
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Nov.	28,536	......	−0.3
Average Farm Price (Feedlot Beef)	cents/lb.	Nov.	88.5	−2.2	−4.3
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Nov.	5,555	......	1.9
Average Farm Price	cents/lb.	Nov.	105.0	−0.5	0.5
MILK PRODUCTION	mil. lbs.	Jan.-Nov.	136.5	......	0.3
Average Price Sold to Plants	$/100 lbs.	Nov.	20.16	−3.0	−3.4
EGG PRODUCTION	mil.	Jan.-Nov.	192.1	......	5.7
Average Farm Price	cents/doz.	Nov.	83.5	−0.6	3.1
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-Nov.	1,146	......	−7.4
PRIVATE PERMITS AUTHORIZED					
STATE:					
RESIDENTIAL	thous. $	Jan.-Nov.	361,936	......	0.1
Single Family Units	number	Jan.-Nov.	3,874	......	25.6
Multiple Family Units	number	Jan.-Nov.	1,192	......	−41.1
NONRESIDENTIAL	thous. $	Jan.-Nov.	183,101	......	−26.3
OAHU:					
RESIDENTIAL	thous. $	Jan.-Nov.	223,731	......	10.2
Single Family Units	number	Jan.-Nov.	2,096	......	39.3
Multiple Family Units	number	Jan.-Nov.	966	......	−47.1
NONRESIDENTIAL	thous. $	Jan.-Nov.	127,308	......	−9.1
MAUI CO.:					
RESIDENTIAL	thous. $	Jan.-Nov.	37,996	......	4.4
Single Family Units	number	Jan.-Nov.	592	......	16.5
Multiple Family Units	number	Jan.-Nov.	6	......	−75.0
NONRESIDENTIAL	thous. $	Jan.-Nov.	17,777	......	−64.5
HAWAII:					
RESIDENTIAL	thous. $	Jan.-Nov.	61,422	......	14.6
Single Family Units	number	Jan.-Nov.	850	......	4.7
Multiple Family Units	number	Jan.-Nov.	181	......	88.5
NONRESIDENTIAL	thous. $	Jan.-Nov.	25,164	......	−9.0
KAUAI:					
RESIDENTIAL	thous. $	Jan.-Nov.	37,165	......	−45.9
Single Family Units	number	Jan.-Nov.	336	......	29.2
Multiple Family Units	number	Jan.-Nov.	39	......	−49.4
NONRESIDENTIAL	thous. $	Jan.-Nov.	12,551	......	−59.2

p = preliminary

[2] *Gross taxable income valued at time of shipment.*

[3] *From Hawaii County.*

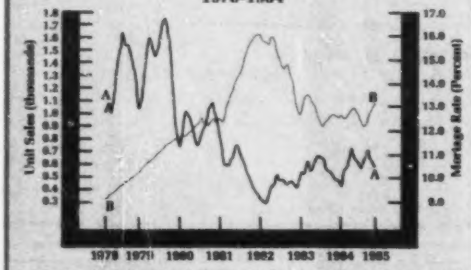
[4] *Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.*

over-the-month gain of 5,000. The bulk of these were in state government (plus 2,350) and retail trades (plus 2,050). A majority of the government workers were temporary hires in the Department of Education, while retail stores added a significant number of new but short-term personnel in preparation for the holiday season. Also, employment in services grew as restaurants and hotels hired additional workers to meet the seasonal increase. Construction showed an over-the-month gain of 600 jobs. This was the first increase since the strikes began in July, and was largely due to the settlement of the concrete workers' strike and lockout. Manufacturing was the only area to show an over-the-month decrease. A temporary shutdown, used as a cost-saving measure by Waialua Sugar Co. and Hawaiian Tuna Packers, accounted for much of the short-term reductions in manufacturing jobs.

After a slow start in early 1984, real estate activity picked up in the second half of the year. During the first six months of 1984, the total number of new and existing residences (both single family and condominiums) sold on Oahu numbered 3,650, compared to 3,870 sold during the same time span in 1983, a drop of 5.7 percent. However, the pattern reversed in the second half of the year. For the July to November period, 3,116 units were sold in 1984, compared to 2,568 in 1983, a 21.3 percent increase.

Real estate sales activity fluctuates dramatically from month-to-month, but in general, it follows an inverse relationship to interest rates (see Figure 1). As mortgage rates drop, the number of sales increase. The gradual decrease in lending rates since 1982 has led to a gain in housing sales.

FIGURE 1
REAL ESTATE SALES AND MOkTGAGE RATES
OAHU
1978-1984



A. Total Oahu Real Estate Sales (condominiums and single family)—Left hand scale

B. Average Conventional Home Mortgage Rate—Right hand scale

THE CONSTRUCTION INDUSTRY IN HAWAII

Construction was one of the few industries in Hawaii's economy that did

business activity in hawaii [cont.]

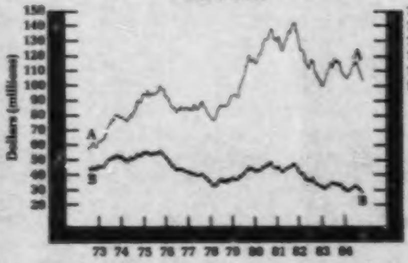
Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS:					
STATE	thous. $	Jan.-Dec.	388,656	......	41.3
Oahu	thous. $	Jan.-Dec.	300,782	......	38.6
Maui County	thous. $	Jan.-Dec.	26,760	......	−10.6
Hawaii	thous. $	Jan.-Dec.	23,057	......	14.4
Kauai	thous. $	Jan.-Dec.	38,058	......	382.8
BY LEVEL OF GOVERNMENT:					
Federal	thous. $	Jan.-Dec.	130,008	......	59.8
State	thous. $	Jan.-Dec.	176,968	......	38.5
County	thous. $	Jan.-Dec.	81,680	......	24.0
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	Dec.	349.1	−0.5	2.7
HIGH-RISE	1967 = 100	Dec.	369.2	−0.3	2.8
REAL ESTATE					
NEW SALES					
OAHU: Single Family	number	Jan.-Nov.	1,240	......	34.8
Condominium	number	Jan.-Nov.	1,897	......	−6.3
RESALES					
STATE: Single Family	number	Jan.-Nov.	2,151	......	1.7
Average Price	dollars	Jan.-Nov.	168,935	......	2.4
Condominium	number	Jan.-Nov.	2,543	......	3.3
Average Price	dollars	Jan.-Nov.	109,013	......	−1.3
OAHU: Single Family	number	Jan.-Nov.	1,582	......	2.7
Average Price	dollars	Jan.-Nov.	185,652	......	1.1
Condominium	number	Jan.-Nov.	2,047	......	4.9
Average Price	dollars	Jan.-Nov.	103,358	......	−0.1
MAUI CO.: Single Family	number	Jan.-Nov.	188	......	6.8
Average Price	dollars	Jan.-Nov.	175,046	......	11.6
Condominium	number	Jan.-Nov.	361	......	−1.4
Average Price	dollars	Jan.-Nov.	142,211	......	−5.6
HAWAII: Single Family	number	Jan.-Nov.	314	......	−9.8
Average Price	dollars	Jan.-Nov.	88,546	......	−4.0
Condominium	number	Jan.-Nov.	93	......	−21.8
Average Price	dollars	Jan.-Nov.	91,111	......	−5.0
KAUAI: Single Family	number	Jan.-Nov.	67	......	34.0
Average Price	dollars	Jan.-Nov.	133,819	......	8.3
Condominium	number	Jan.-Nov.	42	......	75.0
Average Price	dollars	Jan.-Nov.	138,847	......	−1.8
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-Nov.	21,890	......	11.0
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Nov.	486.9	......	3.7
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Nov.	223.8	......	10.4
RETAILING	mil. $	Jan.-Nov.	7,814	......	10.4
WHOLESALING	mil. $	Jan.-Nov.	5,629	......	15.6
SERVICES	mil. $	Jan.-Nov.	5,017	......	12.8
OAHU NEW CAR SALES	number	Jan.-Dec.	41,882p	......	15.4
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-Nov.	6,416	......	2.4
GAS SALES	th. therms.	Jan.-Nov.	43,774	......	−0.9
TELEPHONE LINES IN SERVICE	thous.	Nov.	471.3	−0.1	3.2
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX:					
Wage Earners and Clerical Workers	1967 = 100	Dec.	297.6	1.1[*]	3.3
All Urban Consumers	1967 = 100	Dec.	289.8	0.8[*]	4.1

[*] Compared to October, 1984.

not benefit from the economic recovery of 1984. All of the major indicators for the building industry are still pointing in a downward direction.

The total value of construction-put-in-place staged a short-lived rally during the last half of 1983, but then turned down again in 1984. Strikes in the industry further aggravated the situation, leading to an even greater decline. Longer-run statistics for the value of construction-put-in-place, in current and constant dollars, show that the dollar amount of construction during the 1982-1984 period was well below the burst of activity seen between 1979 and 1981 (see Figure 2).

FIGURE 2
CONSTRUCTION PUT IN PLACE
STATE OF HAWAII
1973-1984



A. Dollar Value of Construction in Current Dollars
B. Dollar Value of Construction in Constant (1967) Dollars

As a consequence, construction jobs have declined, following the downturn in building activity (see Figure 3).

Construction jobs peaked in mid-1980 and gradually decreased since then. Since July of 1984, the industry was plagued by labor problems including strikes and lockouts by concrete workers, carpenters, and electricians. As of November of 1984, there were 14,250 construction jobs in the state, which was the lowest number in decades. Construction jobs have not been that low since the early 1960s.

As jobs decreased, so has personal income (see Figure 4). The dollar amount of personal income in the state attributable to construction employment dropped by 12.6 percent between 1981 and 1982, from $563 million to $492 million (in current dollars). The building industry rallied in 1983, as income increased to $539 million. However, it fell again to $534 million during the fist half

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population and income in hawaii

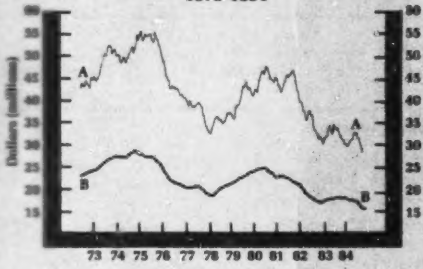
Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1984	1,143p	......	2.1
Total Resident Population	thous.	July 1, 1984	1,040p	......	1.7
OAHU:					
Total De Facto Population	thous.	July 1, 1984	868.2p	......	1.7
Total Resident Population	thous.	July 1, 1984	805.6p	......	1.2
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1984	107.0p	......	3.3
Total Resident Population	thous.	July 1, 1984	83.2p	......	4.4
HAWAII:					
Total De Facto Population	thous.	July 1, 1984	114.9p	......	2.9
Total Resident Population	thous.	July 1, 1984	106.8p	......	2.7
KAUAI:					
Total De Facto Population	thous.	July 1, 1984	52.7p	......	2.9
Total Resident Population	thous.	July 1, 1984	44.8p	......	2.8
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1984	979.6p	......	1.2
MILITARY PERSONNEL:					
STATE	number	July 1, 1984	60,800	......	3.0
Ashore	number	July 1, 1984	56,321	......	4.8
Afloat	number	July 1, 1984	4,483	......	−14.9
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1984	67,083	......	1.3
FOREIGN IMMIGRATION[1]	number	Jan.-Dec.	5,326	......	−0.7
INCOME					
TOTAL PERSONAL INCOME**	mil. $	2nd Qtr., 1984	13,273p	2.0	7.8
EMPLOYMENT INCOME[2]	mil. $	2nd Qtr., 1984	9,663p	1.5	6.9
Manufacturing	mil. $	2nd Qtr., 1984	455p	−1.7	5.1
Construction & Mining	mil. $	2nd Qtr., 1984	534p	−0.4	2.3
Wholesale	mil. $	2nd Qtr., 1984	407p	2.5	10.3
Retail	mil. $	2nd Qtr., 1984	1,101p	2.7	9.3
Finance, Ins., & Real Estate	mil. $	2nd Qtr., 1984	667p	1.4	6.7
Trans., Comm., & Util.	mil. $	2nd Qtr., 1984	857p	1.9	6.5
Services	mil. $	2nd Qtr., 1984	2,116p	3.3	10.6
Farm & Other	mil. $	2nd Qtr., 1984	303p	4.1	1.3
Federal Civilian	mil. $	2nd Qtr., 1984	856p	0.1	−0.3
Federal Military	mil. $	2nd Qtr., 1984	1,243p	−0.5	10.7
State & Local	mil. $	2nd Qtr., 1984	1,123p	1.1	3.5
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	2nd Qtr., 1984	2,504p	4.1	13.2
TRANSFER PAYMENTS (1,743) minus Personal Contributions for Social Insurance (637)	mil. $	2nd Qtr., 1984	1,106p	1.7	4.2
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1983	12,114p	......	4.5
Oahu	dollars	1982	12,130p	......	5.3
Maui County	dollars	1982	10,458p	......	7.1
Hawaii	dollars	1982	9,148p	......	2.2
Kauai	dollars	1982	9,869p	......	5.8

**Total personal income and all components are seasonally adjusted at annual rates.

[1] Includes only those entering Honolulu ports and do not include status changes.

[2] Includes wage and salary disbursements, proprietors' income, and other labor income.

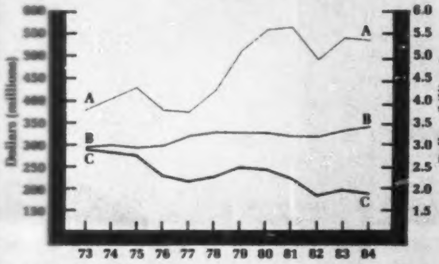
FIGURE 3
CONSTRUCTION PUT IN PLACE AND CONSTRUCTION EMPLOYMENT
STATE OF HAWAII
1973-1984



A. Dollar Value of Construction in Constant (1967) Dollars—Left hand scale
B. Construction Employment—Right hand scale

of 1984. The net effect is that there has been no growth in personal income of construction workers over the last five years.

FIGURE 4
CONSTRUCTION INCOME AND TOTAL INCOME
STATE OF HAWAII
1973-1984



A. Construction Employment Income in Current Dollars—Left hand scale
B. Employment Income All Industries in Constant (1967) Dollars—Right hand scale
C. Construction Employment Income in Constant (1967) Dollars—Left hand scale

Taking inflation into consideration, the income of construction workers (in 1967 dollars) showed a substantial decrease, dropping from $294 million in 1973 to $189 million in 1984, a 35.7 percent drop. The decrease in construction income was in strong contrast to income growth for the rest of Hawaii's workers. Employment income for all industries increased during the same time period by 15.0 percent, from $2.9 billion to $3.4 billion.

The only area to show positive growth in 1984 was government construction (see Figure 5). Public projects have fluctuated dramatically over time, and this pattern continued over recent years. After a peak in 1981, government proj-

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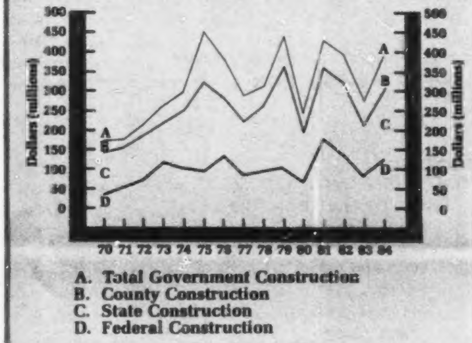
employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	Nov.	473.0p	0.0	−0.1
Employment	thous.	Nov.	446.0p	0.7	0.5
Unemployment	thous.	Nov.	26.9p	−10.0	−9.1
Unemployment Rate	percent	Nov.	5.7p	−9.5	−9.5
OAHU:					
Civilian Labor Force	thous.	Nov.	361.9p	0.4	−0.2
Employment	thous.	Nov.	342.6p	1.0	0.3
Unemployment	thous.	Nov.	19.3p	−9.4	−8.5
Unemployment Rate	percent	Nov.	5.3p	−10.2	−8.6
MAUI COUNTY:					
Civilian Labor Force	thous.	Nov.	42.9p	0.0	1.4
Employment	thous.	Nov.	40.3p	1.3	3.6
Unemployment	thous.	Nov.	2.6p	−16.1	−25.7
Unemployment Rate	percent	Nov.	6.1p	−15.3	−26.5
HAWAII:					
Civilian Labor Force	thous.	Nov.	46.7p	−2.7	0.2
Employment	thous.	Nov.	43.1p	−2.0	0.0
Unemployment	thous.	Nov.	3.7p	−7.5	5.7
Unemployment Rate	percent	Nov.	7.8p	−7.1	5.4
KAUAI:					
Civilian Labor Force	thous.	Nov	21.5p	0.0	−1.4
Employment	thous.	Nov.	20.1p	0.0	−1.0
Unemployment	thous.	Nov.	1.5p	0.0	−6.3
Unemployment Rate	percent	Nov.	6.8p	−2.9	−4.2
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	Nov.	448.9p	1.1	0.5
SUGAR (Mill and Field)	thous.	Nov.	7.4p	−6.3	−3.9
PINEAPPLE (Cannery and Field)	thous.	Nov.	3.7p	5.7	8.8
DIVERSIFIED MANUFACTURING					
(Excluding Sugar and Pineapple)	thous.	Nov.	15.8p	−1.9	−1.9
Durable Goods	thous.	Nov.	3.5p	0.0	0.0
Non-Durable Goods	thous.	Nov.	12.3p	−3.1	−1.6
Apparel and Textiles	thous.	Nov.	2.9p	0.0	0.0
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	Nov.	[illegible].1p	−8.1	−1.1
CONTRACT CONSTRUCTION	thous.	Nov.	14.3p	5.9	−21.4
TRANSPORTATION	thous.	Nov.	21.6p	0.5	4.[illegible]
COMMUNICATION	thous.	Nov	7.3p	0.0	−1.4
UTILITIES	thous.	Nov.	2.5p	0.0	4.2
RETAIL TRADE	thous.	Nov.	91.7p	2.2	3.6
WHOLESALE TRADE	thous.	Nov.	18.1p	0.0	0.0
FINANCE, INSURANCE AND REAL ESTATE	thous.	Nov.	30.9p	0.3	−1.3
HOTEL SERVICES—STATE	thous.	Nov.	28.1p	1.8	4.5
Oahu	thous.	Nov.	15.9p	1.3	8.2
Maui County	thous.	Nov.	6.3p	3.3	0.0
Hawaii	thous.	Nov.	3.7p	0.0	5.7
Kauai	thous.	Nov.	2.3p	0.0	0.0
OTHER SERVICES	thous.	Nov.	78.5p	0.5	1.2
FEDERAL GOVERNMENT	thous.	Nov.	32.4p	0.6	0.9
Civilian Agencies	thous.	Nov.	11.7p	0.0	3.5
Defense Department	thous.	Nov.	20.7p	1.0	0.0
STATE GOVERNMENT	thous.	Nov.	47.9p	5.3	0.8
COUNTY GOVERNMENT	thous.	Nov.	12.9p	0.0	2.4
NON-AGRICULTURE SELF-EMPLOYED	thous.	Nov.	25.5p	−0.4	−5.6
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	Nov.	13,521	−11.3	−14.7
INTRASTATE INITIAL CLAIMS	number	Jan.-Nov.	68,198	......	−0.5
INTERSTATE INITIAL CLAIMS	number	Jan.-Nov.	3,939	......	−9.3
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Jan.-Nov.	70,784	......	−8.4

p = preliminary

ects dropped sharply and then rebounded in 1984. Public construction during 1984 finished 43.1 percent ahead of 1983, rising from $275.0 million in 1983 to $393.4 million in 1984. The bulk of the increase was due to federal spending. Federal construction expenditures in 1984 were up an impressive 59.8 percent over 1983. Spending grew from $81.3 million in 1983 to $130.0 million in 1984. State projects also showed a healthy gain of 40.3 percent, increasing from $127.7 million in 1983 to $179.2 million in 1984. Though well below the other two public sectors, county government also increased its construction expenditures. Local government contracts grew from $65.9 million in 1983 to $84.2 million in 1984, a 27.7 percent jump.

FIGURE 5
COUNTY, STATE, AND FEDERAL CONSTRUCTION
STATE OF HAWAII
1970-1984



Depending on movements in interest rates, the prospects for 1985 look encouraging. First, given the settlement of the recent labor strikes and lockouts in the industry, there should be a surge of activity to make up for lost time. This will substantially boost construction volume.

Second, while residential permit activity is currently down, growing demand in the economy should stimulate increased residential construction (see Figure 6). For example, residential permit value dropped by 43.7 percent between 1981 and 1984, from $296.5 million in 1981 to an estimated $167.0 million in 1984, while the number of housing units in the state increased by 4.9 percent, or less than 1 percent a year. On the other hand, the population grew by 6.0 percent and personal income grew by 20.8 percent over the same period. An increase in need created by more people with more money should increase the demand for residential units.

Third, the construction of nonresidential buildings should revive as the current glut of office space is absorbed

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	Nov.	60,156	−0.1	−4.8
Payments	thous. $	Jan.-Nov.	93,868	......	−5.0
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	Nov.	47,877	2.7	2.0
Payments	thous. $	Jan.-Nov.	139,599	......	−8.0
FOOD STAMPS:					
Recipients[1]	no./persons	Oct.	99,509	−0.7	−0.3
Payments	thous. $	Jan.-Oct.	67,166	......	0.5
SERVICES:					
Recipients[1]	no./cases	3rd Qtr.	6,903	−1.8	−3.0
Payments	thous. $	Yr. to 3rd Qtr.	10,036	......	−6.6

[1] *Count of recipients is duplicated. A person may be counted in each category.*

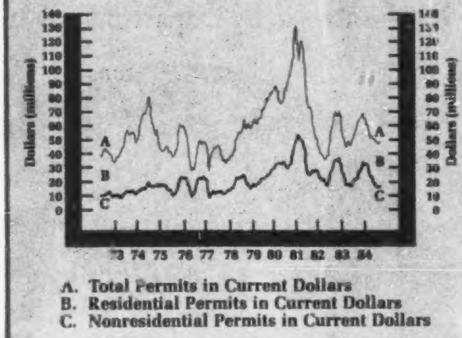
banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	Nov.	6,397	1.8	12.3
Debits To Demand Deposits	mil. $	Jan.-Nov.	85,959	......	5.4
OAHU:					
Total Deposits	mil. $	Nov.	5,287	2.0	12.7
Debits To Demand Deposits	mil. $	Jan.-Nov.	78,832	......	5.0
MAUI COUNTY:					
Total Deposits	mil. $	Nov.	415.0	1.3	15.6
Debits To Demand Deposits	mil. $	Jan.-Nov.	3,029.6	......	10.9
HAWAII:					
Total Deposits	mil. $	Nov.	464.0	0.8	7.4
Debits To Demand Deposits	mil. $	Jan.-Nov.	2,941.2	......	12.8
KAUAI:					
Total Deposits	mil. $	Nov.	231.4	−0.5	7.5
Debits To Demand Deposits	mil. $	Jan.-Nov.	1,156.0	......	0.8
BANK LOANS OUTSTANDING—STATE	mil. $	3rd Qtr.	3,970	−1.2	9.0
Real Estate	mil. $	3rd Qtr.	1,644	−1.1	−0.4
Consumer	mil. $	3rd Qtr.	909.6	0.9	11.8
Commercial & Industrial	mil. $	3rd Qtr.	1,126	1.4	7.4
Other	mil. $	3rd Qtr.	290.1	−15.2	127.0
SAVINGS & LOAN ASSOCIATIONS:[1]					
TOTAL DEPOSITS	mil. $	Nov.	3,868	2.0	6.6
LOANS	mil. $	Nov.	30.7	−17.6	−12.0
Residential	mil. $	Nov.	16.5	−5.8	3.1
Other	mil. $	Nov.	14.2	−28.1	−24.9
TAX COLLECTIONS:[2]					
STATE	thous. $	Jan.-Nov.	1,270,378	......	9.3
Oahu[1]	thous. $	Jan.-Nov.	1,108,411	......	8.6
Maui County	thous. $	Jan.-Nov.	69,824	......	12.3
Hawaii	thous. $	Jan.-Nov.	66,840	......	11.9
Kauai	thous. $	Jan.-Nov.	25,303	......	25.4

[1] *Includes data for both Hawaii and Guam.*

[2] *Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.*

FIGURE 6
TOTAL VALUE OF RESIDENTIAL AND NONRESIDENTIAL PERMITS STATE OF HAWAII 1973-1984



and the need for warehouses increases. During 1982 and 1983, approximately 1.5 million square feet of office space was added to the Honolulu commercial market. Historically, the absorption rate has been about 250,000 square feet per year. In the face of this glut, no new buildings will be coming into the rental market during 1984 or 1985. However, the surplus is gradually being absorbed. According to a Grubb & Ellis survey as of December 1984, the vacancy rates were: 11 percent in the Ala Moana area; 14 percent in downtown; 8 percent in the Kapiolani corridor; and 12 percent in the King Street corridor. Anticipating typical absorption rates, and given the long lead time necessary for the construction of office buildings, several large projects should start construction in 1985, and reach completion in 1987.

On the other hand, concerning the market for industrial space, a survey done by Grubb & Ellis in June 1984 reported that over 1.5 million square feet of industrial space was available on Oahu. That represents a 7.4 percent vacancy rate. While not a shortage yet, as businesses expand, the demand for warehouse space should increase, stimulating further construction activity.

The big question, however, is interest rates. If interest rates increase in 1985, the higher rates will dampen the demand for residential units and nonresidential construction, making Hawaii's already high priced housing even less affordable, and increasing the shortage of commercial space. However, if interest rates remain relatively constant in 1985, the outlook for construction during the year should show a healthy improvement over 1984.

In recent months, interest rates have edged downward. This should have a stimulative effect on construction activity, getting the new year off to a good start.

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A Bimonthly Report on Current Economic Conditions in Hawaii
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Forecast for the National Economy in 1985

Fears that the national economy was moving toward a recession were allayed with the release of the revised estimate of the U.S. Department of Commerce, which indicated that real growth in the nation's output of goods and services advanced by 3.9 percent in the fourth quarter of 1984. This was a clear improvement over the 1.6 percent posted for the third quarter, and indicates that the economy is picking up strength as it moves into 1985. As a result, the economy grew by 6.8 percent in 1984, the highest annual rate of growth since 1951.

The cause of the surge in economic growth was the easing of Federal Reserve monetary policies, which brought interest rates down in the fourth quarter of 1984. That, in addition to the continuing stimulatory effects of the Federal deficit, as well as the near-term optimistic outlook on inflation, should result in strong growth in the first half of 1985. However, these gains will still be far below the record gains of 10.1 and 7.1 percent recorded in the first two quarters of 1984. The reason stems from the overall satisfaction of pent-up demand in the economy resulting from the aftereffects of the recession in 1982, the large buildup in commodity inventories that occurred in mid-1984, and the resumption of the long-term trend rate of growth in the economy, which is estimated to fall in the 3 to 4 percent range.

The crucial question, however, is whether the acceleration of economic growth in the first half of 1985 will stimulate a resurgence of inflation. That could lead to eventual increases in interest rates and a slowdown in the economy in the second half of the year. Given that inflation averaged 3.7 percent in 1984, the lowest increase since 1967, the prospects for 1985 look good. Softening in world energy prices would help, and so would the continuing strength of the U.S. dollar. If the rate of inflation remains low, many feel that monetary policies could ease, leading to continued lower interest rates and sustained growth.

On the other hand, inflation could begin to pick up by mid year due to rising credit demands, increases in labor costs, and the stimulative monetary policies of late 1984. The strength of the dollar could begin to decline in the international credit markets, as the credit demands of foreign countries increase, and the strength of the U.S. recovery diminishes. This could push the rate of inflation up, and lead to eventual monetary tightening to curb inflation.

In any case, given the overall moderation in economic expansion, growth rates in the third and fourth quarters of 1985 are expected to decline from the first half of the year, resulting in an overall annual real growth rate in the economy of about 4 percent.

The major threats to the 1985 expansion will be Federal deficits and the negative U.S. balance of trade. If the credit demands of the Federal government conflict with consumers and businesses, interest rates will rise, and contribute to an eventual slowdown in the economy.

The trade deficit, which is expected to exceed 100 billion dollars in 1985, will create major uncertainty in the economy. While helping to hold inflation down by substituting cheaper imports for more expensive American goods, the deficit cuts into American industries, by diverting spending toward foreign commodities.

Trade deficits are caused, in large part, by the strength of the U.S. dollar, which in turn is affected by the level of interest rates. Thus, the effect of higher interest rates in 1985 will not only be a slowing of the economy, but a worsening of the balance of trade. Because Federal deficits contribute to higher interest rates, they also exercise a corrosive effect on America's export potential. Furthermore, high interest rates also encourage the flow of capital into the U.S. that helps to finance the Federal budget deficit. Thus, efforts to reduce interest rates and the trade deficit through expansionary monetary policies will most likely prove counter-productive. Not only would it restimulate inflation, but, it would also cut off the flow of capital into the U.S., while not addressing the basic cause of the problem, which is the budget deficit itself. The result could be higher inflation *and* higher interest rates, not to mention slower economic growth.

Thus, as the U.S. economy settles into a more moderate rate of economic growth in 1985, lack of decisive action on the U.S. Federal budget deficit could foreshadow increasing complications in the years ahead.

ECONOMIC INDICATORS

SPECIAL LEGISLATIVE SUPPLEMENT

The 1985-1986 Legislative Biennium: A Summary of Economic Issues in the Hawaii State Legislature

INTRODUCTION

With the opening of the 1985-1986 Legislative Biennium, this special legislative supplement to the *Economic Indicators* marks the first full report of the Research Department of First Hawaiian Bank on economic development issues facing the Hawaii State Legislature in 1985. This special edition reflects our conviction that the 1985-1986 Legislative Biennium may represent a watershed in economic development policies, given the range and significance of issues that are to come before the legislature. If transformed into actions, these issues could have a collective impact unparalleled in Hawaii's economic history.

Hawaii stands at the threshold of making choices that will shape its economic environment for years to come. This environment has come under intense scrutiny recently because of Hawaii's perceived indifference to the needs of business development and economic growth.

However, efforts have begun to improve our business climate, and to revise laws and regulations to better meet the demands of a modern, competitive small-business economy. This legislative supplement is an expression of our support for these efforts, and the desire to promote discussion and community participation on the critical economic issues now on the public agenda.

The supplement is composed of synopses of reports to be received by the legislature involving issues related to economic development. The reports have been organized according to the following topics: The Governor's Commission on Hawaii's Economic Future; business policies; labor policies; infrastructure policies; regulatory policies; and policies affecting particular industries including tourism, agriculture, fisheries, housing, and energy. Each section, in turn, is begun with a brief summary and introduction. For further reference, the numbers for the respective initiating legislative resolutions or acts have been included. While information on each issue is presented, final recommendations to the legislature are discussed only in those cases where the final reports have been completed by the time of publication. Also, the information contained in this supplement does not include legislation that will be written and submitted during the legislative session.

THE GOVERNOR'S COMMITTEE ON HAWAII'S ECONOMIC FUTURE

To assess the condition of Hawaii's economy and devise strategies for its continued growth, Governor George R. Ariyoshi formed the Governor's Committee on Hawaii's Economic Future early in 1984. Composed of 36 leaders from business, labor, and higher education, the Committee met with various groups and individuals in the community to develop a set of recommendations to the Governor aimed at promoting Hawaii's special quality of life, its high standard of living, employment opportunities for all residents, and diversification of the economy.

Education was viewed as the key to Hawaii's economic and social progress. Besides continued emphasis on basic skills, the Committee called for a stronger curriculum in economics, on Hawaii's unique cultural heritage, and on the utilization of new technology. Regarding higher education, the Committee recommended continued research and training in support of Hawaii's industries, with particular emphasis on programs relating to Asia and the Pacific region.

The visitor industry also drew strong support. Recommendations included continuing capital improvements for visitor-related infrastructure such as sewer systems, airports, highways, and parks. A new convention center for Waikiki, public and private collaboration to ensure well-planned resort areas, and public education on the value of tourism were also endorsed.

Marketing and promotion activities were deemed very important for tourism and agriculture as well. Establishment of an Agriculture Marketing Bureau was advocated to promote Hawaii products throughout the world. The Committee suggested that tourism marketing for the Neighbor Islands be differentiated and made more independent to enable the targeting of special visitor markets for each island.

Finally, the Committee stated that while Hawaii has lost its locational advantage for shipping, it continues to hold an advantage in its time zone position for business transactions, in becoming the knowledge center of the Pacific Basin, and in serving as the strategic center of U.S.

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defense activities in the Pacific. One of the ways that Hawaii businesses can profit from Hawaii's new role as the hub of the Pacific, according to the Committee, is to act as an intermediary for trade between firms in the U.S. and businesses in Asia.

BUSINESS POLICIES

The most direct way in which state governments can assist businesses is by capital-assistance programs. These programs take many forms. Programs currently operating in Hawaii include loan programs to help small businesses to expand and new business ventures to get started. Product-promotion programs also help firms to develop overseas markets, and revenue bonds are used in the construction of facilities for enterprises such as hospitals and public utilities. Other programs offer encouragement for agriculture, and protection for agricultural land. Finally, international trade is promoted through the State Foreign Trade Zone.

Other forms of capital assistance used in other states include interest-subsidy and loan-guarantee programs, state funded or chartered venture-capital corporations, development-credit corporations, and product-development corporations, as well as enterprise zones and various tax-incentive programs. Other states have also made much more extensive use of industrial revenue bonds to develop business plants and infrastructure.

In the forthcoming legislative session, the feasibility of converting from the making of direct loans to businesses using state funds to the offering of state guaranteed loans issued by private lenders will be explored. Training programs for persons interested in starting new businesses will also be examined, in addition to ways of expanding the promising high technology industry in Hawaii.

Financial Assistance to Businesses

(HR 19, 1984)

Most of the state's $250 million housing and business assistance loan programs are in the form of direct loans of state funds. This method may have an adverse impact on the credit and finances of state government because it relies on the raising of large amounts of capital by the state.

An alternative approach is for the state to guarantee loans issued by private lenders, which would greatly relieve the state's capital burden, while underwriting important capital assistance to businesses. Although state guaranteed loans are already authorized under some programs, few such loans have been made thus far due to the lack of start-up funds.

Because of the state's limited experience in guaranteeing loans, a study was directed to investigate whether private lenders are capable of raising sufficient capital for state programs, and whether the method would be financially attractive to the state. Other questions involve the probable impact of the approach on high-risk businesses assisted by many of the programs, the amount of reserves needed to guarantee the loans, and other financial implications of such a shift.

The final report to be prepared by the Department of Planning and Economic Development will be submitted to the State House of Representatives upon completion.

Technical Assistance for Small Businesses

(SR 37, 1984)

A major problem faced by small businesses, which is often the cause of business failures, is the lack of adequate managerial skills.

To meet this compelling need, the Honolulu Community College (HCC) was requested to establish a pilot program of noncredit courses for operators of small businesses. In its report to the legislature, HCC identified as its primary target the small businesses located in the Kalihi-Palama and Sand Island commercial districts. Having confirmed the high level of community interest in small business training, HCC will be offering its first schedule of courses this spring on weekday evenings and Saturdays, covering topics such as business planning, bookkeeping and finances, management, home-based businesses, marketing, business law, taxes, and cost-benefit analysis.

High Technology Industry Development

(HCR 138, HR 364, 1984)

In a plan put forth by the Department of Planning and Economic Development to encourage high technology industries to locate and expand in Hawaii, problems of insufficient industrially zoned land, inadequate water availability, an anti-growth business climate, the high cost of living, insufficient industrial infrastructure, and inadequate tax and financial incentives were identified as impediments to the industry's continued growth.

Last year, the newly established Hawaii High Technology Development Corporation was requested by the legislature to find ways to overcome these impediments. In its response to the 1985 legislature, the Corporation submitted a wide-ranging set of proposals. In education, the Corporation supported provisions contained in the University of Hawaii's "Strategy for Academic Quality 1985-1995" including the commitment to adopt a strong core curriculum at all university and community college campuses. Stronger ties with private industry were also endorsed.

Regarding business assistance, recommendations included exemptions for the industry from the use tax, the manufacturing excise tax, and the excise tax on exports. The Corporation also called for streamlining the land use permit process, helping entrepreneurs obtain venture-capital funding, and joint public and private funding of marketing efforts aimed at Japan, Hong Kong, Taiwan, and the Mainland.

Finally, several sites in the state were identified as having potential for high technology park development. The Corporation further recommended that it be authorized to issue special-purpose revenue bonds to develop those sites, and that the counties also be authorized to establish tax-increment districts to aid in the development of high-technology parks.

LABOR POLICIES

Labor costs are a major component in the operating costs of most firms, especially small businesses. Thus, issues involving employee-benefit programs rank high on private industry's legislative agenda. The accelerating cost of employee insurance programs, most notably workers' compensation and unemployment compensation, have drawn the greatest concern. Attention has also focussed on the spiralling cost of health care, which has become an increasing burden to both employers and employees. In addition, the right of public workers to strike has come under some criticism by the business community.

In this year's legislative session, state lawmakers will receive a report on workers' compensation which makes recommendations to bring the exceptional costs of Hawaii's program under control. A progress report is also scheduled on the ongoing controversy over pay differentials between male and female dominated occupations.

Workers' Compensation

(HCR 172, SCR 61, 1983)

In 1983, the legislature took action to control spiralling workers' compensation costs, and to respond to criticism that the program was too lenient in providing benefits, and thereby imposing unreasonable costs on businesses. A moratorium on increases in workers' compensation insurance rates was declared, and a study was commissioned to find ways to control costs, while improving the effectiveness of the program.

The final report confirmed the exceptional cost of Hawaii's program. The study found that since 1979, benefits per employee, corrected for inflation, have increased at a compound annual rate of 15 percent per year, making Hawaii's cost of workers' compensation insurance the highest in the country in 1983. Costs are higher in Hawaii in large part because awards are paid to far more claimants than is true in other states, and because medical costs per case are high. No simple explanation for these conditions could be found, only that the overall system lacks effective control over program costs.

Of the more than two dozen recommendations prepared, the major recommendations were that: (1) the amount of compensation paid should better correspond with the actual economic loss suffered by an employee due to a work-related injury; (2) coverage for medical treatment not required for rehabilitation should be eliminated; (3) the processing of claims, benefit payments, claim hearings, and disputes should be improved; (4) competition among insurers should be increased; (5) incentives for employees to return to work as soon as possible should be strengthened; and (6) the controversial "presumption clause," which supports an employee's claim that an injury is work-related, should be retained, but only if a "preponderance of evidence," rather than the more demanding "substantial evidence" standard of proof be required to overcome the presumption.

The report to the legislature on workers' compensation was prepared by Haldi and Associates under the direction of the Office of the Legislative Auditor.

Comparable Worth

(Act 185, 1984)

Although state public employment policies have supported fair and unbiased systems of employee classification, evaluation, and compensation, a 1979 study found that many government jobs are segregated by sex, and that female-dominated job classes receive less pay than male-dominated ones.

Relatedly, the Hawaii Government Employees Association (HGEA) last year threatened, and in November finally sued the state and county governments, alleging that they intentionally discriminated against female employees by paying lower wages for jobs traditionally held by women that are of "comparable worth" to higher paying work performed by men.

In response to these actions, a study was authorized by the legislature to be performed by a newly established Commission on Comparable Worth. The study is to examine wage differentials in state and county government, and recommend a job evaluation system that would implement the concept of comparable worth in all public employment systems. A preliminary legislative report was due this year, with the final report to be submitted in 1986. However, at the time of publication, work on this study was brought to a halt because of the effect of the HGEA suit on the disclosure of necessary information. Further progress in the study and the feasibility of the original completion date have thus been made uncertain.

Puna Sugar Closing

(HCR 84, HR 206, 1984)

In 1982, American Factors, Inc. (Amfac) announced the closing of the Big Island Puna Sugar Company, which at the time employed nearly 500 persons, and maintained over 15,000 acres in sugarcane production. The closing, completed in 1984, brings with it an enormous economic dislocation to Puna residents, many of whom are lifelong residents of the area, and are now facing limited alternatives for reemployment.

In anticipation of this difficult period, programs were initiated by Amfac and by county and state governments to ease the disruptive effects of the closing. Supplementing these efforts was a legislative request to the Mayor and County Council of the Big Island to assemble an Economic Transition Team.

This group is to develop an action plan to assist Puna residents displaced by the closing to secure new employment. The range of possible actions that the group could recommend includes job training and referral, assistance to new and existing businesses, land lease adjustments, and direct financial and social assistance to Puna residents.

The results of the report will be submitted to the legislature.

INFRASTRUCTURE POLICIES

Infrastructure refers to the extensive systems that provide those services so necessary for urban life: electricity, water, sewer, as well as gas and telephone systems. Roads, sidewalks, and neighborhood parks are also infrastructural systems because of their importance for transportation and the maintenance of open space. Policies affecting infrastructure are therefore critical. Without proper infrastructure, urban land development cannot occur.

Reports to be received in 1985 concentrate on the regulation of sewerage facilities. In one report, ways to accommodate commercial and industrial activity within the requirements of new cesspool and septic tank regulations are reviewed. In another report, issues are examined arising from the transfer from the state to the counties of regulatory power over private wastewater-treatment plants.

Sewage Injection Controls

(SR 129, 1984)

A proposed Department of Health regulation drew concern during the 1984 legislative session over the future of commercial or industrial activity on lands above threatened groundwater resources. In the regulation, cesspools or septic tanks servicing nonresidential buildings would be limited to a flow of 1,000 gallons of sewage per day. Also, above the 500-foot elevation level, the regulation would prohibit the construction or use of sewage injection wells that are typically used to service most commercial or industrial operations. One effect of this regulation, it was feared, would be to preclude commercial or industrial operations on the upland slopes of the Neighbor Islands. Supporting the measure was the Department of Health, which favored the restrictions to protect underground sources of drinking water from contamination. The controls would also qualify the state to receive federal grant money to implement other safeguards for groundwater resources.

Because of the problems posed by the new rule, the Department and the mayors of the respective counties were requested to meet with the Governor to discuss the impact of the new rule and ways of dealing with its restrictions.

The results of the meeting will be submitted to the State Senate.

Private Wastewater-Treatment Facilities

(SR 131, SR 155, 1984)

The regulation of private wastewater-treatment systems has in the past been shared between the state and county governments, an arrangement which has led to problems of accountability and inefficiency. In 1978, a recommendation was made to transfer all responsibility for administering those regulations to the counties. This was approved in principle by all of the counties, but to date, only the City and County of Honolulu is ready to operate such a program.

A new problem arose with the 1983 enactment of new state regulations prohibiting the construction of private wastewater-treatment facilities without the approval of the appropriate county government. Because not all of the counties are ready to assume this new regulatory responsibility, concerns were raised that many new developments requiring private treatment plants would be halted.

County and state officials met in 1984 to discuss the issue. As discussed in a report to the 1985 State Senate prepared by the Department of Health, the officials arrived at two basic findings. First, they felt that the transfer of private wastewater-facility regulation to the counties was still a good idea, but one that required a transfer of funds from the legislature to the counties to implement. Second, until such funds are received, new developments requiring private facilities will be allowed by the State Department of Health to proceed on a case by case basis according to criteria developed by the City and County of Honolulu.

REGULATORY POLICIES

The power to tax is perhaps government's most pervasive regulatory instrument. Through a complex schedule of tax levies and exemptions, a broad range of activities are encouraged or discouraged in the public interest.

The 1985 legislature will consider a comprehensive proposal to reform Hawaii's tax system. Among other things, the recommendations call for the elimination of many tax credits and exemptions to simplify the tax system, the adjustment of tax rates to correct for inflation and to maintain progressivity in tax rates, and the establishment of new taxes and revenue sources to compensate for the reduced collections of proposed reforms.

Another important regulatory subject this year concerns water resources. A new water code is proposed to govern the development, distribution, and use of water throughout the state. Finally, a proposal to restructure the state's environmental monitoring system will be examined.

The State Tax System

(Act 212, 1983)

For the first time since the mid-1950s, Hawaii's tax structure has been comprehensively studied by the Hawaii Tax Review Commission. Overall, the Commission found that the existing tax structure will provide enough revenues to maintain state spending at current levels for the next five years. However, there needs to be a "rainy day" fund to cover year-to-year fluctuations in revenue collections.

The individual income tax came under critical scrutiny because of the numerous special tax exemptions and deductions that have been added to it over the years which complicate the system and are of questionable effectiveness. Also, inflation has pushed taxpayers into higher tax brackets, creating special hardships for low-income households. Responding to these issues, the Commission recommended that many tax exemptions, deductions, and credits including the credits for child care expenses and for the installation of solar energy devices be eliminated or simplified to broaden the tax base and allow tax rates to be lowered. In broadening the tax base, pension and Social Security benefits earned by higher income households would be taxed as they are under federal income tax rules. These measures would enable taxpayers to be treated more uniformly for both excise and income tax purposes. Taxpayers would obtain a substantial amount of relief by a major downward revision of income tax brackets to correct for past inflation.

In making these adjustments, a net loss in tax revenues would be incurred. To offset this, the Commission recommended the imposition of a visitor tax and a state lottery. The visitor tax could take the form of an increase in the excise tax on hotel rooms, or as a general excise tax increase that would be refunded to taxpayers through an income tax credit. Rather than be earmarked for specific uses, the revenues from either proposal should be treated as general purpose funds to finance the estimated $50 million revenue loss from adjusting the income tax brackets for past inflation, plus additional revenue reductions which would be incurred from other recommended improvements to the tax system.

In considering Hawaii's business climate, the Commission felt that the business tax burden of the present system is about average compared to other states. A few improvements were suggested to the existing excise tax on inter-affiliate transactions and on exports from Hawaii. A proposal contained in the Commission's earlier draft that would reduce tax pyramiding by replacing the general excise tax with a universal privilege of business tax and a net excise tax was abandoned.

For a commentary on the initial draft of the State Tax Commission's report, see the November/December 1984 cover story of the *Economic Indicators*.

The State Water Code

(Act 170, 1982)

The Hawaii Constitution calls for the protection, control, and regulation of Hawaii's water resources by a legislatively designated State Water Resources Agency. Working out the necessary details of this mandate for presentation to the 1985 legislature has been the task of the State Advisory Study Commission on Water Resources.

The proposed code addresses the use and protection of all ground water, surface water, and coastal water in the state. Regulation is to be accomplished by a system of permits required for the withdrawal of water from any water source. Permits would be indefinite in duration, but would have to be reapplied for if major changes are made in

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the use of the water, such as from agricultural to urban use. Administering the code would be the task of the Board of Land and Natural Resources, which now administers the permit system for the Pearl Harbor groundwater basin.

Major issues that have been raised about the proposed code have involved the comparative merits and demerits of a market approach versus a regulatory approach to water allocation, county home rule versus statewide water control, and fears of an excessive regulatory burden on business activity versus a desire to protect the public welfare and the environment in all water allocation decisions. Principal critics of the code have been the sugar and pineapple plantations, who require large amounts of water for their irrigation needs, and who have made a huge investment in water development and distribution facilities. It has been stated that those facilities presently carry over 60 percent of Hawaii's developed water resources.

For additional information, see the November/December 1984 issue of the *Economic Indicators*.

State Environmental Agency

(HCR 78, SCR 135, 1984)

Local concern over environmental safety and regulation has been high following recent incidents involving the release of toxic substances into the environment. Such incidents have included the discovery of heptachlor in milk, the detection of pesticides in ground water, the finding of improperly stored chemical wastes, and the expression of concern by Puna residents on the Big Island about geothermal emissions. The potential risks from environmental hazards is likely to grow as the state continues to develop alternative energy resources, and encourage the growth of high technology enterprises. The possible development of ocean manganese nodule mining in Hawaii would also pose new environmental problems requiring appropriate treatment.

In 1983, a joint state House and Senate study committee reviewed Hawaii's existing environmental monitoring system and concluded that better coordination was needed. Subsequently, in the 1984 session, the Legislative Reference Bureau was asked to study the possible establishment of a state environmental protection agency similar to the kind of agency found in other states. Establishment of such a body would consolidate environmental activities now spread among several agencies, and may have an impact on environmental permitting procedures. Upon completion, the results of the study will be submitted to the legislature for possible action.

TOURISM POLICIES

The visitor industry has been the subject of numerous proposals from the business community aimed at ensuring tourism's continuing vitality. In the past, recommendations have been issued to construct a new convention center, provide for a high and stable level of tourism promotion, appropriately regulate time-share resort units, improve the human environment in Waikiki, and avoid the imposition of new tax levies on tourists. The volume of suggested improvements reflect the community's great concern for Hawaii's largest industry.

Since statehood, the visitor industry has gone through great swings in growth. As the state has experienced these changes, opinions about and within the industry have become increasingly fragmented. To work toward developing a new consensus on the desired future of tourism in Hawaii, a State Tourism Congress was convened with the participation of representatives from the visitor industry, lawmakers, government agencies, and community groups. The recommendations of the congress will be considered by the 1985 legislature. Also to be reviewed is a study on the feasibility of building a new convention center.

Governor's Tourism Congress

(HR 66, SR 50, 1984)

As the largest industry in the state, tourism draws great attention and concern from public policymakers. With evidence growing on the massive reshaping of the Hawaii economy due to tourism's growth, the legislature directed the convening of a congress representing the visitor industry, business, labor, government, and the community to formulate a unified public policy on the future direction of the industry. Such a congress has not been convened since 1970, a period of booming tourism that contrasts sharply with the economic environment of today.

Congress participants were polled on a variety of issues. The results show strong support for the continued growth of tourism, including aggressive state and privately funded promotional efforts to achieve a projected 8 million visitors a year by the year 2000. An increase in promotional funding to $10 to $20 million was supported, with such promotions to focus on attracting higher spending, longer staying visitors rather than on increasing the sheer numbers of tourists. An increase in the general excise tax that would be refunded to residents was supported to pay for increased tourism promotion and support. Continued improvement in Waikiki's physical facilities was approved, including the construction of a new convention center at Ft. DeRussy to be operated by an independent public corporation.

Although tourism related projects were favored, issues relating more directly to island residents and the environment were supported as well. The congress placed priority for residents over tourism concerns if such a trade-off had to be made. The congress also voted to support restrictions on noisy recreational activities such as helicopters and jet skis, safeguards against commercial overuse of recreational areas, and proper planning to avoid the overloading of local communities by tourist activities. Diversification of both the tourism industry and the state economy as a whole were endorsed.

Tourist Convention Center

(HCR 130, HR 67, 1984)

An idea long discussed as a way of expanding and diversifying Hawaii's visitor industry is the establishment of a new convention center facility. According to supporters of a new center, the convention market is an expanding

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and profitable segment of the tourist trade, with business spending of $15 billion per year nationwide. Adding to its financial attractiveness is the fact that conventions are often booked well in advance and scheduled during the off-peak months of the tourist industry. Hindering Hawaii's wider participation in this market, however, has been the lack of available convention facilities possessing exhibition space and meeting rooms comparable to centers on the Mainland.

To further explore the establishment of a new convention center, the legislature called for a joint publicly and privately funded study on the feasibility of building a new facility in the state. Issues to be addressed include the appropriate location of a new center and the recommended method of financing and managing it.

The final report will be submitted to the legislative session upon its completion.

AGRICULTURAL POLICIES

From its early position of dominance in the Hawaiian economy, agriculture has slipped far behind the relatively newer industries of tourism and defense. However, the importance of agriculture remains high, and in the search for potential avenues for diversifying Hawaii's economic base, new hope has developed over the promising growth of diversified agriculture.

Past efforts to assist agriculture have included the development of agricultural parks and irrigation ditches, the issuance of low-cost loans to farmers, and the promotion of Hawaii's agricultural products for local and export sale. With the help of supportive laws and regulations, agricultural lands have been sheltered to some extent from development pressures. Research and training programs have also been supported to enhance productivity within the industry.

In the current legislative session, work currently underway to identify and protect the most productive agricultural lands in the state will be assessed. Responding to heightened awareness of the health risks posed by agricultural pesticides, the use of less hazardous pest-control methods will be evaluated. Proposals to facilitate the shipment of agricultural commodities from growers to their markets will also be examined. Finally, ideas for promoting Hawaii's beef cattle industry will be discussed.

Agricultural Land Assessment

(Act 273, 1983)

The State Land Evaluation and Site Assessment Commission was established by the 1983 legislature to identify those lands which are most productive and suitable for agricultural use, and are therefore deserving of protection from urbanization, as mandated by the State Constitution. The Commission, composed of representatives from government, agriculture, landowners, and agricultural researchers, is to devise a system to identify those agricultural lands which are considered especially important to the state, and therefore appropriate for state protection. In the new system, lands are first to be classified according to their physical qualities such as soil characteristics, local climate, and geography. A second set of ratings would then be applied to weigh the agricultural potential of the site against applicable zoning and other land use policies, the surrounding level of development, and the cost of preparing and servicing it for urban development.

In addition to the system for identifying important agricultural lands, the Commission is to also develop recommended agricultural production goals for the state, maps detailing the location of the lands to be protected, and any recommended legislation needed to implement the land classification system. A key element to be scrutinized in the Commission's report is the extent to which the county governments would participate in the implementation of the system.

The final report of the Commission is scheduled for presentation to the 1985 legislature.

Agricultural Consolidation Facilities

(HR 26, 1984)

The high cost of transporting agricultural products from the Neighbor Islands to Oahu's local markets and export transshipment points has long been a major obstacle to the development of the state's agriculture and aquaculture industries. To address this problem, the construction of agricultural product consolidation facilities on each of the islands to permit the efficient collection, storage, and shipment of commodities has been under recent study.

Kona on the Big Island is the first site whose suitability for a consolidation facility was verified and funds appropriated to begin construction. In the latest action, the Departments of Agriculture and Transportation and the Governor's Agriculture Coordinating Committee were asked to monitor work on the Kona consolidation facility, and to rank the suitability of other areas in the state for the construction of additional consolidation facilities. The report of these agencies will be submitted to the State House of Representatives upon its completion.

Intrastate Marine Highway System

(HR 107, 1984)

A critical consideration in the continued development of agriculture and aquaculture in Hawaii is the availability of an efficient and economical interisland marine transportation system. Current problems faced by farmers in this area include the expense and inadequacy of existing air freight and surface transportation service. These problems are particularly acute for Neighbor Island farmers who not only depend on markets in Honolulu, but also must route their products through Honolulu for transshipment to the Mainland or to foreign markets.

Although interisland ferry and barge systems have been examined in the past, the projected costs of those systems have up to now made them unfeasible. The present effort is to explore the possibility of joint federal and state financing for an interisland ferry carrying both people and cargo. This concept represents an extension of the intrastate highway financing projects successfully practiced on the Mainland. Also to be explored is the coordination of the entire agricultural cargo transport system, from packaging, containerization, and treatment to product consolidation, loading, and distribution.

The final report by the Governor's Agriculture Coordinating Committee will be submitted to the State House of Representatives upon its completion.

Alternatives to Chemical Pesticides

(SR 99, SR 172, 1984)

Growing awareness and concern regarding the risks of chemical pesticide use in Hawaii prompted the initiation of two studies on the use of nonpesticide methods to control crop infestations. While the legislature recognized the importance of controlling insect pests to maintain a viable agriculture industry in Hawaii, it also deemed it important to explore new crop protection techniques that pose less of an environmental and health risk.

To be investigated in the requested studies are recent advances in genetic engineering, biotechnology, and behavioral genetics that help to neutralize or disable harmful pests without resorting to dangerous chemicals. Natural predators to pests and natural plant defenses are also to be considered. These studies are to arrive at a comprehensive crop protection plan that addresses the relationship of all factors affecting crop production and infestation. The plan will also make cost-benefit comparisons of various crop protection methods now available.

Reports on this issue by the University of Hawaii College of Tropical Agriculture and the Governor's Agriculture Coordinating Committee are to be submitted to the State Senate upon their completion.

The Beef Cattle Industry

(SR 100, 1984)

Despite steady sales of about $28 million per year, the Hawaii beef cattle industry has been losing its share of the local beef market, dropping from 50 percent in 1973 to 30 percent in 1983. The industry is dependent on the local market because of high transshipment costs that reduce its competitiveness in out-of-state markets. The industry's future vitality therefore rests heavily on its success in serving Hawaii consumers.

To address these problems and support the full development of the industry, the Governor's Agriculture Coordinating Committee is to develop a comprehensive action plan to better promote Hawaii's beef. This would include an analysis of alternative distribution patterns, consumer attitudes to locally produced beef, and alternative methods of merchandising beef for the local market. The final report will be submitted to the State Senate.

FISHERY POLICIES

Commercial fishing in Hawaii has been a promising but underdeveloped industry. Its contribution to the diversification of Hawaii's economy has been hampered by inadequate facilities, investment capital, product marketing programs, and other problems. The state government responded by developing a comprehensive Hawaii Fisheries Development Plan in 1979 to map out strategies to strengthen the industry. Since then, fish aggregating devices have been deployed to increase the size of catches, and millions of dollars in loans for new fishing vessels have been issued. Finally, new fishing vessel berths and facilities have been constructed at state harbors.

In the upcoming legislative session, lawmakers will see reports on an update of the Hawaii Fisheries Development Plan, and the possibility of attracting modern tuna fishing fleets called purse seiners to utilize Hawaii's ports.

Fisheries Development Plan

(HR 7, SR 43, 1984)

A 1979 Hawaii Fisheries Development Plan is now in the process of being updated in light of new information, such as the results of recent research on the Northwestern Hawaiian Islands completed in 1983. The legislature directed that the public policy implications of the new information on the Northwestern Hawaiian Island fisheries be assessed. In particular, the socioeconomic and cultural impact of these fisheries on Hawaii fishers is to be considered. Also to be studied are the infrastructure needed for the aggregation of small catches, alternative methods of extending the shelf life of fish, the development of local and export markets for frozen fish, and the impact on commercially valuable fish species of fish aggregating devices now being used to boost the amount of fish landings.

The final report, which is to be prepared by the University of Hawaii's Sea Grant Program, will be submitted to the 1985 legislative session.

The Tuna Fishing Industry

(SR 46, 1984)

In view of the 150 percent growth rate in the value of fish caught over the last ten years, commercial fishing has drawn interest as a promising area for the diversification of the Hawaiian economy. One particularly attractive segment of commercial fishing is tuna purse seining, in which large amounts of tuna fish are caught with the aid of purse-shaped nets and swift boats. Several purse seining fleets are currently ported on the West Coast, sailing to fishing areas in the Western Pacific, and stopping over for refueling and resupply at American Samoa, Guam, and occasionally Hawaii.

Stopovers by these fleets can be lucrative for the port areas, with up to $300,000 spent by a single operator during a port call. Furthermore, the value of a purse seiner's catch may range upwards of a million dollars. The 1984 legislature took action to expand Hawaii's role as a transshipment or operating base for purse seiners by directing a study of the costs and benefits of such an expanded role. Issues to be studied include the impact of purse seining on local fishing operations, the capability of facilities in Kewalo Basin, Honolulu Harbor, and the Barbers Point Deep Draft Harbor to accommodate purse seiners, and the probable effectiveness that facility improvements would have in enhancing Hawaii's attractiveness to purse seining operations. The final report, which is to be prepared by the Department of Planning and Economic Development, will be submitted to the State Senate upon its completion.

HOUSING POLICIES

How to address the shortage of affordable housing in Hawaii has been a major bone of contention between public and private agencies for many years. However, with some of the nation's highest housing costs for purchasers and renters, and lowest rates of homeownership, there is little dispute that Hawaii's housing situation is in a critical condition.

State programs in housing have primarily taken the form of rent subsidies, mortgage subsidies, assistance for construction financing, and the provision of lower cost land for housing development. Building industry representatives, on the other hand, have argued for simplification of the development permit process, reducing the burden of development standards and zoning restrictions, and making more agricultural land available for housing and other urban development. Recently, the legislature has been called on to clarify the vesting of development rights, which affects all new construction, including housing.

In the 1985 session, reports will be reviewed on the effectiveness of public policies in influencing the supply and cost of housing in Hawaii, and on the regulation of residential leasehold rents.

Housing Supply Study

(Act 254, 1983)

There have been many legislative efforts to increase the supply of affordable housing for low and moderate income families, including the so-called "gap group" families whose household incomes are too high to qualify for most housing assistance programs, yet are too low to afford a home through conventional private financing sources. In 1983, the legislature reappropriated unused funds in the State Mortgage Guarantee Fund to develop affordable housing by a nonprofit housing agency, and to study public policies affecting housing supply and affordability.

Laws to be reviewed in these studies include zoning and subdivision regulations, local building codes, and landlord-tenant codes. Also to be evaluated is the use of tax policies to influence housing supply. The final report, to be prepared by the Hawaii Housing Authority, will be submitted to the 1985 legislative session.

Leasehold Rents

(SR 86, 1984)

As a result of a recent U.S. Supreme Court decision, lessees of residential houselots are ensured the opportunity to purchase their lots in fee. For those not yet able to afford this option, however, the payment of leasehold rents remains an obligation. For many lessees, rents have jumped in recent years, with some rents increasing over 2,000 percent.

To bring relief to leaseholders subject to these increases, the State Senate called for the Bishop Estate, the Campbell Estate, the Castle Estate, and other lessors of residential property to observe a moratorium on lease-rent increases until June 30, 1985. This period would allow the impact of the Supreme Court's ruling on the State Land Reform Act to be assessed. During the interim, a Senate committee on housing and urban development was to consider the lease-rent renegotiation situation, and formulate a renegotiation formula equitable to both lessors and lessees.

As reported to the legislature, the formula recommended by the committee ties the permitted amount of lease-rent increases to changes in the Standard and Poor's 500 Composite Dividend Yields. The committee also recommended that rent renegotiations occur every ten years, that lease rents on state lands also be made subject to the formula, and that the formula not influence the value of any leasehold property converted for fee simple acquisition.

ENERGY POLICIES

Energy development in Hawaii has been an area of encouraging successes and future promise. The state enjoys abundant renewable energy resources, the most developable of which is geothermal energy on the Big Island. Intensive efforts are now underway to tap these resources, distribute them to the areas of high energy demand, and ensure their commercial viability. The attraction of alternative energy development lies not only in its contribution towards Hawaii's energy self-sufficiency, but also in its support of other economic initiatives such as aquaculture and high technology industries. But, alternative energy development also has the promise of developing into a thriving new industry in its own right, and helping Hawaii become a world center for energy research.

Studies to be reviewed by the 1985 legislature include a plan to increase the commercial use of alternative energy in electricity production, and an assessment of the effects of geothermal energy development on the health of Puna residents.

Alternative Energy Development

(HCR 121, HR 315, 1984)

Nationally, electric utility companies have successfully shifted away from oil as a fuel source to coal and nuclear power. This shift affords them relative immunity from uncertainties in the future supply and price of oil.

In contrast, Hawaii's utilities continue to be almost totally dependent upon oil, and would therefore be vulnerable in any future oil crisis. Fortunately, Hawaii enjoys rich opportunities to develop alternate energy resources such as biomass, wind, solar, ocean thermal, and geothermal energy. To further realize this potential, the Department of Planning and Economic Development was asked to work with the various electric utilities in the state to develop a plan to increase the use of alternate energy for the production of electricity.

In response to this directive, a report completed by Hawaiian Electric Industries, Inc. discusses a two-pronged effort by the utility companies directed at the goal of energy self-sufficiency for the state. In the first approach, activity is aimed at increasing the efficiency of electricity production and use. Methods now being employed include improved maintenance, the installation of higher-efficiency equipment, and the recovery of waste heat. Customers are also being encouraged to use waste heat recovery systems and heat pumps, which have seen extensive application in Oahu's commercial and condominium buildings.

In the second approach, the utilities have promoted the development of alternative energy sources by funding and participating in a variety of alternative energy research projects. Power is also being purchased from various alternative energy producers. However, major progress in this area hinges on the development of geothermal energy and its transmission to Oahu. Recommended ways for state government to boost alternative energy development include the establishment of a fast-track development permitting system, the achievement of a more appropriate balance between the need for meritorious development projects versus the opposition from "not-in-my-backyard" groups, and the strengthening of tax incentives for alternative energy development and use.

Geothermal Pollution

(HR 253, 1983)

With the geothermal energy projects on the Big Island approaching full-scale commercial development, increased attention has focussed on safeguarding the health of nearby residents in Puna. Of the various emissions made by geothermal plants, hydrogen sulfide gas is the major public health concern. Little is known about the long-term effects of the gas on humans. However, Puna residents and persons residing near Mainland geothermal projects have already complained of specific health effects which they link to emissions from the existing demonstration plants.

The Department of Health has formed a medical panel to study the long-term effects of geothermal emissions on health. In the study, the health of Puna residents is to be annually surveyed and air samples taken to measure the concentration of hydrogen sulfide in the community. The results to be reported to the 1985 legislature should shed new light on whether geothermal plants can coexist safely with the Puna community.

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ECONOMIC INDICATORS
ANNUAL SUPPLEMENT

HAWAII in 1984:
A Year-end Summary of Hawaii's Economic Indicators and Outlook for 1985

OVERALL TRENDS

Major indicators show that the Hawaiian economy continued on a strong upward track after the three-year recession of 1980 to 1982. In 1984, the total volume of taxable transactions in the state grew by 11.5 percent. Given the moderate increase in the Honolulu Consumer Price Index during the year of 4.1 percent, real growth in the economy registered a robust increase of 7.4 percent in 1984. This was a clear improvement over the 1.2 percent real growth experienced in 1983, and the highest rate of real growth since business transactions grew by 10.6 percent in 1979. The two years of continuous growth confirms that the Hawaiian economy is moving away from the recessionary years of negative growth in 1980, 1981, and 1982, and may be embarking on a period of stable long-term secular expansion.

Total personal income also saw a strong increase of 7.9 percent. Given the moderate rate of increase in inflation, real personal income in the state grew by 3.8 percent in 1984. While slightly lower than the rate of increase of 3.9 percent in 1983, both years showed solid gains against the relatively flat years of 1980, 1981, and 1982.

Other indicators of business activity showed strong over-the-year gains. New car sales saw strong real growth of 11.3 percent in 1984. State tax revenues increased by 10.3 percent in current dollars in 1984, slightly over the 9.9 percent increase in 1983. Given the fact that state tax revenues actually declined by 4.3 percent in 1982, the two-year upward trend in tax revenues provides additional evidence of Hawaii's continuing economic recovery.

This upswing was also evident in financial transactions in the economy. Monthly average savings deposits in commercial banks saw a strong increase of 12 percent, while debits to demand deposits, which measure the volume of checking account transactions, increased by 3 percent. Thus, not only are Hawaii residents putting more money into banks, but they are now spending more. They are also borrowing more. Consumer loans saw a dramatic increase of 11 percent in 1984 compared to 1 percent in 1983. Savings and loan associations fared less well. While deposits increased a healthy 7 percent, overall loans fell by 3 percent, principally due to a large decline in residential loans of 11 percent. The decline reflected the overall poor performance of the construction industry in 1984, as well as the general stagnation of interest-rate sensitive sectors of the economy.

However, the overall improvement in the economy did not extend to the point where it brought about significant improvements in employment or job creation. The overall civilian labor force and the total number of people actually working remained stable, while the unemployment rate fell from 6.5 to 5.9 percent in 1984. Likewise, the total number of jobs in the economy remained static, indicating that growth in the economy has been in terms of the higher utilization of existing labor resources rather than through a significant expansion of the labor force or jobs in Hawaii.

Furthermore, the pattern of economic upswing was not consistent across all industries. In general, industries that did well were those related to tourism. For example, in terms of personal income, tourism-related services, transportation, communications and utilities, and trade increased by 6, 6, and 5 percent in constant dollars, respectively. On the other hand, manufacturing, construction, and agriculture remained virtually static in 1984. Industries that did not do as well, in general, were those dependent on interest rates in 1984, and those undergoing long-term processes of secular reorganization such as sugar and pineapple.

REAL ESTATE AND CONSTRUCTION

Erratic swings in interest rates in 1984 appear to have taken their toll on the real estate industry. While new sales of single-family units on Oahu saw a dramatic increase of 30 percent, sales of new condominiums plunged by 27 percent during the year. Resales of existing units throughout the state remained relatively static with single-family unit sales increasing slightly by 1 percent, and condominiums by 4 percent. With the exception of new single-family units, increases in new sales of condominiums, and resales of single-family units and condominiums were well below their 1983 levels, indicating that, aside from owner-occupant purchases of new homes, the real estate market was virtually flat in 1984.

For the construction industry, 1984 was not a good

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year. Due to the prolonged strikes in the concrete-worker, electrician, and carpenter unions, the value of construction-put-in-place fell by 8 percent from $1.3 to $1.2 billion in 1984. Given that construction costs for single-family homes and high-rise buildings rose by 5 and 4 percent, respectively, real growth in the industry actually fell by 12 to 13 percent during the year. This decline in the industry was also apparent in other indicators. Income earned by construction workers declined by 7 percent, including the effects of inflation, while jobs in the industry fell a disheartening 10 percent during the year. As bad as the year was, it might have been worse if public contracts had not absorbed some of the slack in the industry. Correcting for inflation, the value of public contracts saw a strong 37 percent increase over the year, with federal contracts showing the strongest rate of increase of 56 percent.

According to the trends in private permits authorized in 1984, a clear pattern is emerging in which the owner-occupant starter-family segment of the market appears to have remained strong during the year, while the investor market, including apartments, hotels, condominiums, commercial, and industrial construction continued to remain static. Because of the fact that both population and income growth have exceeded the growth in housing units for the last five years, the level of pent-up demand in the owner-occupant market appears to be increasing. This may reflect the possibility that the owner-occupant segment of the market may be less sensitive to interest-rate fluctuations than the investor market, which is determined more by level of profitability and debt-service capability.

Furthermore, given the existing inventories of office, industrial, condominium, and hotel units, further growth in each of these sectors will depend not only on a depletion of inventories in the various submarkets, but also on a continuous period of high occupancy rates so that investors can be confident of a rapid utilization of new inventory.

With the settlement of the construction strike, overall patterns for 1985 should see a positive increase as contractors fill back orders. However, if the interest-rate environment continues to tighten, prospects for overall growth in the industry may not be bright. Construction activity in the nonresidential sectors of the market will probably remain inactive in the short run as existing inventories are absorbed, while owner-occupied housing will continue to grow.

TOURISM

In contrast to interest-rate depen-

U.S. ECONOMIC INDICATORS

Series	Unit	Period	1984	1983	Percent Change 1983-84
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	quarterly ave.	3,661p	3,305	10.8
In 1972 Dollars	bil. $	quarterly ave.	1,639p	1,535	6.8
PERSONAL INCOME**	bil. $	monthly ave.	3,013p	2,744	9.8
INTEREST RATES					
AVERAGE PRIME RATE	percent	monthly ave.	12.04	10.79	11.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	monthly ave.	311.9p	262.2	19.0
CONSTRUCTION COST INDEXES:					
Residences	1967 = 100	monthly ave.	357.4	338.1	5.7
Apts, Hotel, Office Bldgs	1967 = 100	monthly ave.	360.4	345.0	4.5
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	monthly ave.	105,005	100,834	4.1
UNEMPLOYMENT*	thous.	monthly ave.	8,539	10,717	−20.3
UNEMPLOYMENT RATE*	percent	monthly ave.	7.5	9.6	−21.9
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967 = 100	monthly ave.	307.6	297.4	3.4
All Urban Consumers	1967 = 100	monthly ave.	311.1	298.4	4.3
PRODUCER PRICE INDEXES:					
Finished Goods*	1967 = 100	monthly ave.	291.2p	285.2	2.1
All Commodities	1967 = 100	monthly ave.	310.3p	303.1	2.4

p = preliminary. *Seasonally adjusted. **Seasonally adjusted at annual rates.

BUSINESS ACTIVITY IN HAWAII

Series	Unit	Period	1984	1983	Percent Change 1983-84
TOURISM					
VISITOR EXPENDITURES	mil. $	annual total	na p	4,000	—
OVERNIGHT OR LONGER VISITORS	number	annual total	4,826,640p	4,364,980	10.6
Westbound	number	annual total	3,701,780p	3,392,980	9.1
Eastbound	number	annual total	1,124,860p	972,000	15.7
AVERAGE DAILY VISITOR CENSUS	number	monthly ave.	105,770p	97,610	8.4
AVERAGE LENGTH OF STAY	no. of days	monthly ave.	10.5p	10.5	0.0
MEETING ATTENDANCE	number	annual total	255,152	211,764	20.5
ORGANIZED GROUP TOURS	number	annual total	892,540p	775,760	15.1
VISITOR COUNT BY COUNTY'					
Oahu	number	annual total	2,886,490p	2,686,110	7.5
Maui County	number	annual total	1,849,800p	1,698,630	8.9
Hawaii	number	annual total	756,890p	737,180	2.7
Kauai	number	annual total	806,620p	713,930	13.0
VISITOR ACCOMMODATIONS:					
STATE	number	October	64,588	60,198	7.3
Oahu	number	October	38,358	35,761	7.3
Waikiki	number	October	33,649	31,846	5.7
Maui (Island)	number	October	12,959	11,948	8.5
Molokai	number	October	633	626	1.1
Lanai	number	October	0	12	−100.0
Hawaii	number	October	6,944	7,243	−4.1
Kauai	number	October	5,694	4,608	23.6
HOTEL OCCUPANCY:					
STATE	percent	monthly ave.	76.0p	70.3	8.1
Oahu	percent	monthly ave.	81.2p	76.3	6.4
Maui (Island)	percent	monthly ave.	80.5p	75.2	7.0
Hawaii	percent	monthly ave.	55.6p	46.3	20.1
Kauai	percent	monthly ave.	63.0p	57.2	10.1

p = preliminary. 'Estimated Westbound.

BUSINESS ACTIVITY IN HAWAII (cont.)

Series	Unit	Period	1984	1983	Percent Change 1983-84
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	annual total	1,950	1,930	1.0
Military Payroll	mil. $	annual total	837.8	802.1	4.5
Civilian Payroll	mil. $	annual total	601.5	575.5	4.5
Local Purchases	mil. $	annual total	511.1	552.9	−7.6
SUGAR					
VALUE OF CROP SALES (UNPROCESSED CANE)	thous. $	annual total	na	266,500	......
SUGAR PRODUCTION	thous. tons	annual total	1,062	1,044	1.7
N. Y. RAW SUGAR PRICE	$/ton	monthly ave.	434.73	440.90	−1.4
PINEAPPLE					
VALUE OF CROP SALES (FRESH EQUIVALENT)	thous. $	annual total	92,736	100,376	−7.6
SHIPMENTS: CANNED[2]	mil. $	annual total	213.3	174.2	22.4
FRESH	thous. lbs.	annual total	238,153	239,064	−0.4
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	annual total	na	112,618	......
FLOWERS & NURSERY PRODUCTS	thous. $	annual total	na	36,165	......
Anthurium Cutshipments[3]	th. dozens	annual total	1,761	1,720	2.4
Potted Foliage Plants	thous. $	annual total	na	10,836	......
FRUITS & NUTS	thous. $	annual total	na	38,521	......
Papaya Sales	th. lbs.	annual total	64,826p	46,300	40.0
Average Farm Price	cents/lb.	monthly ave.	14.0	23.6	−40.7
Macadamia Nut Sales (in shell)	th. lbs.	annual total	36,500	36,420	0.2
Average Farm Price	cents/lb.	annual total	67.0	65.7	2.0
VEGETABLES AND MELONS[4]	th. lbs.	annual total	65,184	67,090	−2.8
LIVESTOCK	thous. $	annual total	na	86,413	......
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	annual total	31,160	31,280	−0.4
Average Farm Price (Feedlot Beef)	cents/lb.	monthly ave.	95.0	100.0	−5.0
HOG PRODUCTION (Dressed Wt.)	th. lbs.	annual total	6,232	6,125	1.7
Average Farm Price	cents/lb.	monthly ave.	104.0	102.5	1.5
MILK PRODUCTION	mil. lbs.	annual total	148.3	149.0	−0.5
Average Price Sold to Plants	$/100 lbs.	monthly ave.	20.03	20.11	−0.4
EGG PRODUCTION	mil.	annual total	210.6	199.4	5.6
Average Farm Price	cents/doz.	monthly ave.	88.7	84.8	4.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	annual total	1,227	1,334	−8.0
PRIVATE PERMITS AUTHORIZED					
STATE:					
RESIDENTIAL	thous. $	annual total	382,028	379,766	0.6
Single Family Units	number	annual total	4,132	3,276	26.1
Multiple Family Units	number	annual total	1,250	2,031	−38.5
NONRESIDENTIAL	thous. $	annual total	195,802	304,111	−35.6
OAHU:					
RESIDENTIAL	thous. $	annual total	237,707	213,083	11.6
Single Family Units	number	annual total	2,237	1,567	42.8
Multiple Family Units	number	annual total	1,024	1,832	−44.1
NONRESIDENTIAL	thous. $	annual total	137,198	153,677	−10.7
MAUI CO.:					
RESIDENTIAL	thous. $	annual total	40,886	38,814	5.3
Single Family Units	number	annual total	638	547	16.6
Multiple Family Units	number	annual total	6	24	−75.0
NONRESIDENTIAL	thous. $	annual total	18,954	52,435	−63.9
HAWAII:					
RESIDENTIAL	thous. $	annual total	64,371	56,853	13.2
Single Family Units	number	annual total	900	880	2.3
Multiple Family Units	number	annual total	181	96	88.5
NONRESIDENTIAL	thous. $	annual total	25,979	31,163	−16.6
KAUAI:					
RESIDENTIAL	thous. $	annual total	39,064	71,015	−45.0
Single Family Units	number	annual total	357	282	26.6
Multiple Family Units	number	annual total	39	79	−50.6
NONRESIDENTIAL	thous. $	annual total	13,670	66,835	−79.5

p = preliminary.

[2] Gross taxable income valued at time of shipment.

[3] From Hawaii County.

[4] Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.

dent industries, Hawaii's major export industry, tourism, experienced a 10.6 percent rate of increase in visitor counts in 1984: the highest rate of increase since 1976. The surge in the tourist industry, probably more than any other factor, was responsible for the overall growth in the economy. This pervasive influence of tourism on the state economy becomes more apparent when it is noted that tourist-related jobs account for an estimated 63 percent of transportation, communication, and utility jobs, 69 percent of all retail trade jobs, 66 percent of all service jobs, and 42 percent of all manufacturing jobs in the economy.

Overall visitor counts exceeded 4.8 million visitors in 1984. Of the total, westbound visitors comprised 3.7 million visitors and grew by 9 percent, while eastbound visitors, principally from Japan, numbered 1.1 million, growing by 16 percent. These figures underscore the growing importance of the Japanese visitor market to the Hawaiian economy.

In terms of the Neighbor Islands, all counties experienced healthy growth. The most dramatic increase was on Kauai, which experienced a 13 percent increase to 806,620 visitors in 1984. This reflected Kauai's resurgence after Hurricane Iwa, and pushed Kauai once again back into the second spot after Maui as a popular vacation destination. The strength of the growth in tourism on Kauai was also reflected in its strong increase in hotel-service employment, which increased by 4 percent. Honolulu was the only other county that was higher; it saw an increase of 5 percent in its hotel employment. In total, hotel employment increased by 4 percent throughout the state.

Occupancy rates remained strong, growing by 8 percent, from 70 to 76 percent throughout the state. All of the counties experienced healthy increases in their occupancy rates, although increases in Hawaii county appear to have resulted as much from a net decrease in hotel units as from an increase in visitor counts. All other counties experienced aggregate increases in hotel units, resulting in overall growth of 7 percent in hotel accommodations across the state. That, in addition to the increased occupancy rates, gives strong evidence of the increased strength of the tourist industry statewide.

Prospects for tourism in 1985 will depend on national and world economic conditions and pricing policies by Hawaii's major air carriers. As discussed in detail in the January/February issue of the **Economic Indicators**, moderation of growth in the national economy could foreshadow a softening in the Hawaiian tourist market, particularly in the second half of 1985. Growth in tourism could therefore moderate from the high growth rate of 10.6 percent in 1984, and is expected to fall to the 5 to 7 percent range.

MILITARY EXPENDITURES

Military expenditures decreased in real terms in 1984 by 3.3 percent. The reasons have to do with the unusual buildup in expenditures that occurred in 1983 as a result of post-Hurricane Iwa rebuilding, as well as the large military buildup that occurred early in the Reagan Administration. For example, overall real growth in military expenditures remained negative in 1980 and 1981, but increased by 12 and 8 percent in 1982 and 1983, respectively.

Of the major sectors of military spending, both military and civilian payrolls remained stable in 1984, showing a real growth rate of 0.1 and 0.2 percent, respectively. This growth rate was down considerably from the real growth rate of 7 and 6 percent experienced in 1983, and possibly represents a stabilizing trend in the growth of military pay appropriations in Hawaii. Local purchases of goods and services, however, saw a significant drop of 12 percent in real terms, primarily due to large increases in hurricane-related spending in 1983.

Because military appropriations depend more on Defense and State Department policies regarding military and diplomatic strategy in the Pacific Region, future levels of military spending in Hawaii are not predictable by economic trends alone. Much of what occurs in 1985 will depend on efforts to homeport a U.S. Navy battleship group in Pearl Harbor, as well as current Navy efforts to reduce the level of civilian workers at the Pearl Harbor Naval Shipyard. However, given what appears to be a process of long-term stabilization in military appropriations in Hawaii, growth in military spending can be expected to return to its long-term real trend rate of around 2 percent, which has prevailed since the beginning of the Reagan Administration.

SUGAR

1984 was not a good year for Hawaii's beleaguered, but resilient, sugar industry. Aside from the problems associated with the renegotiation of the Farm Bill in 1985, droughts since 1983, increased competition from domestic natural and chemical sweeteners, and higher foreign sugar quotas all made serious inroads into the industry in 1984. Production of sugar grew slightly by 2 percent from 1,043,980 to 1,061,591

BUSINESS ACTIVITY IN HAWAII (cont.)

Series	Unit	Period	1984	1983	Percent Change 1983-84
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS:					
STATE	thous. $	annual total	388,656	274,965	41.3
Oahu	thous. $	annual total	300,782	216,989	38.6
Maui County	thous. $	annual total	26,760	29,943	−10.6
Hawaii	thous. $	annual total	23,057	20,152	14.4
Kauai	thous. $	annual total	38,058	7,882	382.8
BY LEVEL OF GOVERNMENT:					
Federal	thous. $	annual total	130,008	81,337	59.8
State	thous. $	annual total	176,968	127,736	38.5
County	thous. $	annual total	81,680	65,892	24.0
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967=100	monthly ave.	348.1	331.2	5.1
HIGH-RISE	1967=100	monthly ave.	367.1	352.1	4.3
REAL ESTATE					
NEW SALES					
OAHU: Single Family	number	annual total	1,258	966	30.2
Condominium	number	annual total	1,424	1,940	−26.6
RESALES					
STATE: Single Family	number	annual total	2,267	2,235	1.4
Average Price	dollars	monthly ave.	169,629	164,341	3.2
Condominium	number	annual total	2,700	2,585	4.4
Average Price	dollars	monthly ave.	109,174	110,627	−1.3
OAHU: Single Family	number	annual total	1,670	1,617	3.3
Average Price	dollars	monthly ave.	186,171	183,712	1.3
Condominium	number	annual total	2,177	2,049	6.2
Average Price	dollars	monthly ave.	103,616	103,596	0.0
MAUI CO.: Single Family	number	annual total	201	185	8.6
Average Price	dollars	monthly ave.	175,494	155,095	13.2
Condominium	number	annual total	386	381	1.3
Average Price	dollars	monthly ave.	141,763	151,169	−6.2
HAWAII: Single Family	number	annual total	325	378	−14.0
Average Price	dollars	monthly ave.	89,036	91,796	−3.0
Condominium	number	annual total	95	127	−25.2
Average Price	dollars	monthly ave.	91,019	95,535	−4.7
KAUAI: Single Family	number	annual total	71	55	29.1
Average Price	dollars	monthly ave.	132,857	124,540	6.7
Condominium	number	annual total	42	28	50.0
Average Price	dollars	monthly ave.	138,848	141,964	−2.2
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	annual total	23,880	21,417	11.5
DIVERSIFIED MANUFACTURING	mil. $	annual total	530.1	502.3	5.5
DIVERSIFIED AGRICULTURE	mil. $	annual total	257.6	221.6	16.2
RETAILING	mil. $	annual total	8,542	7,728	10.5
WHOLESALING	mil. $	annual total	6,134	5,289	16.0
SERVICES	mil. $	annual total	5,486	4,825	13.7
OAHU NEW CAR SALES	number	annual total	41,882p	36,281	15.4
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	annual total	6,994	6,855	2.0
GAS SALES	th. therms.	annual total	47,778	48,135	−0.7
TELEPHONE LINES IN SERVICE	thous.	end of period	472.2	458.3	3.0
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX:					
Wage Earners and Clerical Workers	1967=100	monthly ave.	291.2	278.8	4.4
All Urban Consumers	1967=100	monthly ave.	284.8	273.5	4.1

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POPULATION AND INCOME IN HAWAII

Series	Unit	Period	1984	1983	Percent Change 1983-84
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1984	1,141p	1,115	2.3
Total Resident Population	thous.	July 1, 1984	1,039p	1,018	2.1
OAHU:					
Total De Facto Population	thous.	July 1, 1984	865.2p	846.9	2.2
Total Resident Population	thous.	July 1, 1984	803.0p	789.7	1.7
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1984	107.1p	103.6	3.4
Total Resident Population	thous.	July 1, 1984	83.3p	79.6	4.6
HAWAII:					
Total De Facto Population	thous.	July 1, 1984	115.8p	113.4	2.1
Total Resident Population	thous.	July 1, 1984	107.8p	105.7	2.0
KAUAI:					
Total De Facto Population	thous.	July 1, 1984	52.5p	50.9	3.1
Total Resident Population	thous.	July 1, 1984	44.6p	43.2	3.2
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1984	981.4p	963.1	1.9
MILITARY PERSONNEL:					
STATE	number	July 1, 1984	60,800	59,021	3.0
Ashore	number	July 1, 1984	56,321	53,755	4.8
Afloat	number	July 1, 1984	4,483	5,266	−14.9
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1984	67,083	66,252	1.3
FOREIGN IMMIGRATION[1]	number	annual total	5,326	5,363	−0.7
INCOME					
TOTAL PERSONAL INCOME**	mil. $	3 qtr. ave.	13,251p	12,396	6.9
EMPLOYMENT INCOME[2]	mil. $	3 qtr. ave.	9,637p	9,083	6.1
Manufacturing	mil. $	3 qtr. ave.	450p	449	0.2
Construction & Mining	mil. $	3 qtr. ave.	526p	539	−2.4
Wholesale	mil. $	3 qtr. ave.	407p	376	8.2
Retail	mil. $	3 qtr. ave.	1,089p	1,016	7.2
Finance, Ins., & Real Estate	mil. $	3 qtr. ave.	666p	625	6.6
Trans., Comm., & Util.	mil. $	3 qtr. ave.	858p	791	8.5
Services	mil. $	3 qtr. ave.	2,107p	1,938	8.7
Farm & Other	mil. $	3 qtr. ave.	303p	301	0.7
Federal Civilian	mil. $	3 qtr. ave.	860p	851	1.1
Federal Military	mil. $	3 qtr. ave.	1,252p	1,129	10.9
State & Local	mil. $	3 qtr. ave.	1,118p	1,070	4.5
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	3 qtr. ave.	2,508p	2,248	11.6
TRANSFER PAYMENTS (1,741) minus Personal Contributions for Social Insurance (635)	mil. $	3 qtr. ave.	1,106p	1,065	3.8
PER CAPITA PERSONAL INCOME:					
STATE	dollars	annual total	na	12,114	......
Oahu	dollars	annual total	na	na	......
Maui County	dollars	annual total	na	na	......
Hawaii	dollars	annual total	na	na	......
Kauai	dollars	annual total	na	na	......

***Total personal income and all components are seasonally adjusted at annual rates.*

[1]Includes only those entering Honolulu ports and do not include status changes.

[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

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tons during the year. Molasses production also increased slightly by 1 percent, while electricity sold for public consumption declined by 3 percent. Competitive conditions in the industry along with increased sugar quotas and market share gains by high fructose corn syrup resulted in a drop in total industry revenues of 3 percent, from $423.4 to $409.8 million in 1984. While the industry was able to achieve a 1 percent reduction in costs, it could not offset the drop in the price of sugar, which fell by 1 percent on an average monthly basis. Consequently, operating profits dropped 29 percent, and there was a pre-tax loss of $9.4 million in 1984 compared to $872,000 in 1983. These difficulties were reinforced by a 5 percent drop in sugar employment in 1984.

Prospects for 1985 remain uncertain. The aftereffects of the drought conditions of 1983 are likely to result in as much as a 3 to 4 percent reduction in 1985 production, with related reductions in molasses and power output. The effect on revenues will depend on continuing domestic and foreign competition and its effect on prices, the continued success of industry cost-cutting efforts, and ultimately, the outcome of congressional action on renewal of the U.S. Farm Act and its sugar provisions, which is discussed in detail in the current issue of the **Economic Indicators**. According to the Hawaii Sugar Planters Association, revenue reductions in 1985 could be substantial.

PINEAPPLE

The pineapple industry, as a whole, had mixed results. Total revenues to the industry saw a strong increase of 14 percent from $219 million in 1983 to $250 million in 1984. This was an all-time record level of revenues, but total volume of production for the year fell to 600,000 tons. This was 22 percent lower than the 722,000 tons harvested in 1983, and the lowest annual output since statistics on the industry were begun in 1950. The major reason for the decline in production stemmed from the overall reduction in Hawaii operations of the Del Monte Corp., a subsidiary of R.J. Reynolds Corporation. While the company continues to maintain operations on Molokai, acreage has been approximately halved from the 3,000 acres that formerly were in planting, and employment has been reduced to around 85 persons. In addition, canning operations in Honolulu were closed, while further cutbacks in the 6,000 acres the company farms on Oahu are expected.

With the withdrawal of Del Monte from the canned pineapple market, processed pineapple was expected to diminish as a major portion of total sales. However, data for 1984 show that canned pineapple saw a dramatic increase of 22 percent over the year, while fresh pineapples remained stable. Some of this is attributable to a change in statistical reporting procedures; fruit sold without tops, used to be counted as fresh sales, but it is now counted as processed sales. Much of the gain in processed pineapple is also attributable to the very successful private-label marketing focus of Maui Land & Pine Co., which is based on sales to numerous different brands without having to compete directly under its own label.

In all, however, the industry appears to be diminishing. Along with the decline in total output, jobs in the industry fell by 12 percent in 1984. The drought in 1984, while not affecting the 1985 crop directly, may have a serious impact on the crop in 1986. Thus, while some improvement in output can be expected in 1985, the gains are expected to be short-term in nature.

DIVERSIFIED AGRICULTURE

Diversified agriculture experienced mixed results in 1984. While aggregate revenues to the industry saw a strong increase of 12 percent, corrected for inflation, increasing from $222 to $258 million, income to farming occupations declined by 0.7 percent; jobs in diversified agricultural fields declined by 2 percent. Individual industries are discussed below.

Macadamia Nuts

Preliminary estimates of developments in the macadamia nut industry indicate that 1984 was a good year. The fact that bearing acreage in production increased by 13 percent, from 10,600 to 12,000 acres, contributed to a 36.5 million pound harvest, slightly over the 36.4 million pounds harvested in 1983. The more important factor was the turnaround in the average farm price of macadamia nuts, which increased by 2 percent to 67.0 cents a pound from the all-time low of 65.7 cents a pound registered in 1983. As a result, the value of sales of macadamia nuts increased by 2 percent in 1984 to $24.5 million, after falling by 12 percent in 1983. The 1984 increase in prices reversed a two-year decline from an all-time high of 79.3 cents a pound in 1981, and may signal a positive turnaround in the fortunes of the macadamia nut industry.

Prospects for 1985 look optimistic. The increased amount of acreage in planting expected in 1985, and an improvement in weather conditions could increase overall yields and output. If prices continue to hold steady the result could be an increase in the value of sales

EMPLOYMENT AND JOBS IN HAWAII

Series	Unit	Period	1984	1983	Percent Change 1983-84
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	monthly ave.	475.1p	473.0	0.4
Employment	thous.	monthly ave.	447.2p	442.0	1.2
Unemployment	thous.	monthly ave.	27.9p	30.0	−7.0
Unemployment Rate	percent	monthly ave.	5.9p	6.5	−9.2
OAHU:					
Civilian Labor Force	thous.	monthly ave.	363.1p	360.1	0.8
Employment	thous.	monthly ave.	343.9p	339.5	1.3
Unemployment	thous.	monthly ave.	19.3p	20.6	−6.3
Unemployment Rate	percent	monthly ave.	5.3p	5.7	−7.0
MAUI COUNTY:					
Civilian Labor Force	thous.	monthly ave.	43.4p	43.3	0.2
Employment	thous.	monthly ave.	40.5p	39.9	1.5
Unemployment	thous.	monthly ave.	2.9p	3.5	−17.1
Unemployment Rate	percent	monthly ave.	6.8p	7.9	−13.9
HAWAII:					
Civilian Labor Force	thous.	monthly ave.	46.7p	46.7	0.0
Employment	thous.	monthly ave.	42.8p	42.4	0.9
Unemployment	thous.	monthly ave.	4.0p	4.3	−7.0
Unemployment Rate	percent	monthly ave.	8.5p	9.1	−6.6
KAUAI:					
Civilian Labor Force	thous.	monthly ave.	21.7p	22.0	−1.4
Employment	thous.	monthly ave.	20.1p	20.3	−1.0
Unemployment	thous.	monthly ave.	1.7p	1.7	0.0
Unemployment Rate	percent	monthly ave.	7.5p	7.7	−2.6
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	monthly ave.	447.0p	445.1	0.4
SUGAR (Mill and Field)	thous.	monthly ave.	7.9p	8.3	−4.8
PINEAPPLE (Cannery and Field)	thous.	monthly ave.	4.3p	4.9	−12.2
DIVERSIFIED MANUFACTURING (Excluding Sugar and Pineapple)	thous.	monthly ave.	15.9p	15.9	0.0
Durable Goods	thous.	monthly ave.	3.5p	3.7	−5.4
Non-Durable Goods	thous.	monthly ave.	12.5p	12.3	1.6
Apparel and Textiles	thous.	monthly ave.	2.9p	2.9	0.0
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	monthly ave.	8.1p	8.3	−2.4
CONTRACT CONSTRUCTION	thous.	monthly ave.	16.1p	17.9	−10.1
TRANSPORTATION	thous.	monthly ave.	21.3p	20.8	2.4
COMMUNICATION	thous.	monthly ave.	7.3p	7.5	−2.7
UTILITIES	thous.	monthly ave.	2.5p	2.5	0.0
RETAIL TRADE	thous.	monthly ave.	90.3p	87.6	3.1
WHOLESALE TRADE	thous.	monthly ave.	18.3p	18.1	1.1
FINANCE, INSURANCE AND REAL ESTATE	thous.	monthly ave.	31.1p	31.6	−1.6
HOTEL SERVICES—STATE	thous.	monthly ave.	27.8p	26.8	3.7
Oahu	thous.	monthly ave.	15.7p	14.9	5.4
Maui County	thous.	monthly ave.	6.2p	6.2	0.0
Hawaii	thous.	monthly ave.	3.6p	3.6	0.0
Kauai	thous.	monthly ave.	2.3p	2.2	4.5
OTHER SERVICES	thous.	monthly ave.	78.2p	77.1	1.4
FEDERAL GOVERNMENT	thous.	monthly ave.	32.0p	32.1	−0.3
Civilian Agencies	thous.	monthly ave.	11.4p	11.3	0.9
Defense Department	thous.	monthly ave.	20.6p	20.9	−1.4
STATE GOVERNMENT	thous.	monthly ave.	45.9p	45.7	0.4
COUNTY GOVERNMENT	thous.	monthly ave.	13.2p	13.3	−0.8
NON-AGRICULTURE SELF-EMPLOYED	thous.	monthly ave.	26.3p	26.8	−1.9
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	monthly ave.	12,496	15,497	−19.4
INTRASTATE INITIAL CLAIMS	number	annual total	74,035	73,566	0.6
INTERSTATE INITIAL CLAIMS	number	annual total	4,254	4,701	−9.5
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	annual total	77,675	83,604	−7.1

p = preliminary.

PUBLIC ASSISTANCE IN HAWAII

Series	Unit	Period	1984	1983	Percent Change 1983-84
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	monthly ave.	61,389	64,018	−4.1
Payments	thous. $	annual total	102,264	107,720	−5.1
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	monthly ave.	48,021	51,849	−7.4
Payments	thous. $	annual total	150,540	167,612	−10.2
FOOD STAMPS:					
Recipients[1]	no./persons	monthly ave.	99,715	101,265	−1.5
Payments	thous. $	annual total	83,204	80,425	3.5
SERVICES:					
Recipients[1]	no./cases	quarterly ave.	6,931	6,795	2.0
Payments	thous. $	annual total	13,802	14,374	−4.0

[1] *Count of recipients is duplicated. A person may be counted in each category*

BANKING AND FINANCE IN HAWAII

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	monthly ave.	6,274	5,596	12.1
Debits To Demand Deposits	mil. $	annual total	93,770	89,147	5.2
OAHU:					
Total Deposits	mil. $	monthly ave.	5,181	4,619	12.2
Debits To Demand Deposits	mil. $	annual total	85,971	82,035	4.8
MAUI COUNTY:					
Total Deposits	mil. $	monthly ave.	405.4	349.6	16.0
Debits To Demand Deposits	mil. $	annual total	3,319.7	2,996.6	10.8
HAWAII:					
Total Deposits	mil. $	monthly ave.	461.2	414.9	11.2
Debits To Demand Deposits	mil. $	annual total	3,214.3	2,864.8	12.2
KAUAI:					
Total Deposits	mil. $	monthly ave.	226.9	212.3	6.9
Debits To Demand Deposits	mil. $	annual total	1,265.0	1,251.2	1.1
BANK LOANS OUTSTANDING—STATE:	mil. $	quarterly ave.	4,014	3,671	9.3[1]
Real Estate	mil. $	quarterly ave.	1,659	1,639	1.2
Consumer	mil. $	quarterly ave.	901.4	813.6	10.8
Commercial & Industrial	mil. $	quarterly ave.	1,135	1,092	3.9
Other	mil. $	quarterly ave.	318.4	127.0	150.7[1]
SAVINGS & LOAN ASSOCIATIONS:[2]					
TOTAL DEPOSITS	mil. $	monthly ave.	3,794	3,556	6.7
LOANS	mil. $	monthly ave.	44.2	45.5	−2.9
Residential	mil. $	monthly ave.	22.5	25.2	−10.7
Other	mil. $	monthly ave.	21.8	20.3	7.4
TAX COLLECTIONS:[3]					
STATE	thous. $	annual total	1,394,743	1,264,669	10.3
Oahu	thous. $	annual total	1,216,042	1,108,183	9.7
Maui County	thous. $	annual total	76,572	68,217	12.2
Hawaii	thous. $	annual total	73,867	65,787	12.3
Kauai	thous. $	annual total	28,262	22,481	25.7

[1] *Reporting categories changed in 1984.*
[2] *Includes data for both Hawaii and Guam.*
[3] *Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.*

ranging from 2 to 5 percent by the end of 1985. This would signal the end of the 1982-83 glut when volume of production reached an all-time high and prices reached an all-time low. With successful promotion and market development programs, the industry may be on a trend of sustained long-term growth.

Papayas

The struggling papaya industry faced another year of tribulations. Production levels, still booming after the large increase in plantings after Hurricane Iwa, hit 65 million pounds, the highest since the record high of 66 million pounds in 1981. However, the resulting oversupply in papayas precipitated a 41 percent drop in prices from 24 cents a pound in 1983 to 14 cents in 1984. Other factors plaguing the industry in 1984 included adverse consumer reaction to the use of the fumigant EDB as well as problems with the double-dip treatment process designed to replace EDB. All told, these problems resulted in a 20 percent decline in the total value of papaya production to $8.3 million in 1984, the lowest level since 1978.

The prospects for the coming year look brighter. Modifications to the double-dip process are producing positive results, and further research is being carried out on alternative treatment methods, including irradiation techniques. Also, production levels in early 1985 have been running roughly one-third lower than last year. This may result in higher prices. Assuming favorable solution of the fruit-fly treatment problem, revenues for the industry should see a turnaround in 1985.

Flowers and Nursery Products

The flower and nursery product industry constitutes the largest sector in diversified agriculture, surpassing both macadamia nuts and papayas in total volume of sales. According to the most recent data from the Hawaii Agricultural Reporting Service, the industry continued to achieve record sales of $36.2 million in 1983. This was 18 percent higher than the previous high set in 1982, and was the largest year-to-year increase since 1980. Much of the increase was attributed to the stronger economy, promotion and market-development efforts, and improved weather from 1982. The largest gains came in the potted foliage plants, which grew by 23 percent from $8.8 to $10.8 million in 1983. Cut anthurium flowers, the second largest crop, showed a strong increase of 7 percent, growing in value from $5.6 to $6.0 million. All other major flowers including roses, dendrobiums and other orchids, carnations, and protea increased in 1983.

DIVERSIFIED MANUFACTURING

Diversified manufacturing, which includes the garment industry, construction materials, paper, machinery and equipment, chemical and petroleum refining, furniture, and other manufacturers, turned in an overall weak performance for 1984. Including the effects of inflation, business sales registered a weak 1 percent increase during the year, while job counts and employment income in this sector remained virtually unchanged.

Events in 1984 affecting this sector include the closing of the Hawaiian Tuna Packers' cannery in October, which remained closed through the end of the year, as well as a decline in the local clothing market share of aloha wear since 1970. Prospects for 1985 will depend, in part, on tourism growth, although a greater share of the clothing market is now being imported. With other industries remaining stable, growth should be marginal in 1985.

TRANSPORTATION, COMMUNICATION, AND UTILITIES

The transportation, communications, and utilities sector showed strong 6 percent real growth over the previous year in personal income, based on three quarters of data for 1984. This gain is primarily the result of the tourism-driven transportation industry, which grew by 2 percent in terms of jobs compared to zero job growth for utility companies and a 3 percent job loss among communications companies.

The outlook for 1985 will depend, in part, on growth in the tourism industry, particularly for the transportation industry. Communications and utilities will depend on the rate of population growth and household formation, although tourism is a large factor in electricity demand. With a moderation in tourism growth, the transportation, communications, and utilities industry as a whole should see positive growth although less than 1984.

TRADE AND SERVICES

The dominance of tourism in Hawaii's economy causes trade and service industries to constitute the largest segments of the private-sector economy in Hawaii. In 1984, business receipts from trade and services came to $20.2 billion, or 84 percent of the total of $23.9 billion in business receipts statewide. Trade and services also comprised 44 percent of total employment income and 55 percent of all jobs in the state. Because of the strong growth in tourism, reflecting the overall national recovery, recent trends in these sectors has been strong. Overall, gross revenues for trade and services increased by 13 percent, income increased by 10 percent, and jobs increased by 2 percent in 1984. Prospects for 1985 remain strong given the continuation in tourism growth. However, if as expected, growth rates in visitor counts moderate in 1985, then growth in the subsidiary trade and service sectors will soften.

GOVERNMENT

Civilian government plays an important role in Hawaii's economy. In 1984, federal, state, and county employees accounted for 20 percent of the total labor force, an increase of 4 percent over 1983. If military personnel are included, total government employment comes to 34 percent of Hawaii's labor force. Income of all government employees in 1984 was $3.2 billion, or 34 percent of employment income in the state. This was a 7 percent increase over the income earned in 1983. The largest sector is federal military income which grew by 13 percent to $1.2 billion. It was followed by state and local government income, which grew by 5 percent to $1.1 billion. Federal civilian income remained stable, growing slightly by 1 percent to $860 million in 1984. In terms of jobs, federal, civilian, and military jobs declined slightly by 0.3 percent, state government jobs increased by 0.4 percent, and county government jobs declined by 0.8 percent. Prospects for 1985 suggest stable growth, particularly if military expenditures moderate. Likewise, fiscal pressures on state and local government could reduce additional local government hirings.

CONCLUSION

1984 was a year of healthy expansion in Hawaii's economy. However, it was not the kind of growth that was particularly deep or broad based. This was evidenced by continued stagnation in employment and job growth and investment in new construction. Likewise, growth tended to be confined to those segments of the economy most related to tourism while virtually every other major sector of the economy including military expenditures, sugar, pineapple, diversified agriculture, and construction either remained stable or declined during the year. While some of this was caused by interest-rate fluctuations in 1984, the otherwise mediocre performance of the economy provides evidence of the shallowness of Hawaii's economic resurgence and the increasing dependency on tourism as the sole generator of employment and economic growth in Hawaii. If demand conditions supporting tourism begin to slow in 1985, then that dependency could lead to an overall slowing of Hawaii's economy in 1985.

The implications of these patterns are clear. Given the overriding importance of tourism's role in the economy, maximum effort needs to be expended toward maintaining and expanding its presence, particularly in view of its importance to the Neighbor Islands. However, the volatility associated with overdependence on one industry, and the effects that this dependency has had on the structure of Hawaii's economy over time, demands serious efforts toward diversifying Hawaii's economic base. Both of these concerns are under consideration by the state legislature, and the degree to which they are met will exert a profound influence on the future development of Hawaii's economy.

RESEARCH DEPARTMENT
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FIRST HAWAIIAN BANK
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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank March/April 1985

150 Years of Sugar in Hawaii

As we recognize the 150th sesquicentennial anniversary of the sugar industry in Hawaii, the industry is facing the greatest threat to its existence in its history. If the proposed modifications to the U.S. Agriculture and Food Act of 1981 (the Farm Act) are enacted by the U.S. Congress, the Hawaiian sugar industry could be devastated.

According to the Department of Planning and Economic Development, total sugar-related employment comes to around 19,200 jobs or 4 percent of all jobs in the state. However, on the Neighbor Islands, sugar-related employment accounts for 29 percent of jobs on Kauai, 17 percent on Hawaii, and 13 percent on Maui, compared to 1 percent on Oahu. Likewise, income from sugar in 1982 came to 21 percent of total income on Kauai, 13 percent on Hawaii, 12 percent on Maui, compared to 1 percent on Oahu. Sugar occupies 188,395 acres or 71 percent of all the agricultural land in Hawaii, accounting for 97 percent of all cultivated lands on Kauai, 75 percent on Hawaii, 65 percent on Oahu, and 57 percent on Maui. Sugar also contributes around 10 percent of total state tax revenues. Loss of the industry to Hawaii would be an economic disaster of unprecedented magnitude.

The Hawaii sugar industry is now protected by Title IX of the Farm Act. The provisions include a sugar loan fund where a producer unable to sell his crop is eligible for a loan using his crop as collateral. The loan rate is based on an estimated average cost of production, and was set at 17.75 cents per pound in 1984. Congress also specified that the government should avoid accumulating stocks of sugar by establishing a Market Stabilization Price (MSP). The MSP estimates the actual price that producers must receive to sell their crop, and is composed of the loan rate plus transportation costs, interest, and a producers incentive margin. The MSP is currently at 21.57 cents a pound, 3.82 cents a pound over the loan rate of 17.75 cents a pound. To assure that the actual market price of sugar reflects the MSP, and producers sell their crops, a system of country-by-country import quotas controls the supply and, ultimately, the price of sugar in the U.S. That is possible because about a third of the sugar consumed in the United States is imported.

The need for such a system reflects the realities of the world sugar market. At present, over 40 countries around the world produce around 100 million tons of sugar. Surplus sugar not domestically consumed or traded, roughly 20 million tons a year, is dumped on the so-called "world market." Prices in this market bear no relation to production costs, and fluctuate according to available supply. In 1980, the price was 40 cents a pound. In 1984 it fell to less than 4 cents a pound. Thus, the current price-support system protects our sugar industry from the volatile world surplus market, while maintaining stable prices to insure a steady supply of domestically produced sugar.

The proposed changes in the Farm Bill would cut the loan rate for sugar to 12 cents a pound. Sugar import quotas would be terminated, thereby allowing the domestic market price to fall to world levels. In expectation of industry losses as a result of falling prices, a contingency program of direct payments would subsidize producers based on the difference between the market price and a predetermined target price set to decline to 12 cents in 1990. The payments, however, would be meaningless to Hawaii's large corporate growers because of a limitation of $10,000 per operator set for 1988.

Proponents of the changes argue that easing import restrictions would reduce the domestic price of sugar, and cut back federal dollars needed to support the industry. However, under the proposed changes neither market prices, target prices, or loan rates will bear any relation to the costs of production. Producers may not be able to either sell **or** borrow, and will ultimately be **forced** to accept government payments. Opening the American market, which is roughly 9 million tons annually, to foreign sugar would eliminate any surplus and erase any price advantage the world price seemed to offer. Erratic price fluctuations would eventually drive American producers out of business, creating a total dependency on an unreliable supply of imported foreign sugar. The result would be lost jobs, increasing welfare costs, and an increase in the balance-of-trade deficit by an estimated $2 billion a year.

The Farm Act has cost nothing because whatever support the program extends is in loans. Domestic producers borrowed $650 million on 1,312,500 tons of sugar in the 1983/84 sugar season. But, all loans were repaid at market interest rates, and the government did not accumulate any forfeited sugar.

True, federal deficits demand a serious examination of government expenditures. But, eliminating programs that have been costless for economic benefits which are illusory, while at the same time destroying a major portion of Hawaii's economy, is no solution to the problem.

Our responsibilities as a community are clear in supporting the work of our leadership to defeat the changes to the Farm Bill. Hawaii needs the existing support system. Recent developments in Congress appear encouraging. But, let it not be said in retrospect that 1985, the 150th anniversary of sugar's birth in Hawaii, was the year of sugar's demise as an industry.

FIRST HAWAIIAN BANK
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Established 1858

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CURRENT BUSINESS TRENDS

The Hawaiian economy began the new year at a healthy pace, with gross business receipts in January totalling $2.2 billion, up 11 percent from December's $2.0 billion. Although January's business sales performance was good due to strong seasonal post-Christmas sales of $728 million, it lagged 4 percent behind January of 1984 because of that month's unusually strong retail activity. The same was true in wholesaling, which experienced striking over-the-month gains of 22 percent from December, but suffered a 2 percent decline in comparison to corresponding 1984 figures.

Hawaii's tourism industry also saw strong growth. Total overnight and longer visitor counts for February stood at 412,000, a gain of 4 percent over February of last year. This brought the two-month total for 1985 to 843,600 visitors: 9 percent above the same period in 1984. Although a strong showing, this represents the first cumulative annual gain that failed to achieve double digits since January of 1984, and marks a moderation of the 14 percent growth pace set this January.

Mainland visitors through February of this year were up 13 percent from 1984. Visitors from the southern states saw a significant increase, but that was offset by a decline in the large California visitor flow. Foreign visitors, primarily from Europe and Japan, were up 17 percent despite the continuing strength of the U.S. dollar. However, Canadian visitors were down 18 percent.

Compared to last year, most of February's county visitor tallies were lagging, especially on the Big Island where the 68,110 westbound visitors for the month was 13 percent behind the 78,176 number for February of last year. Still, the high visitor traffic for most of the islands in January was sufficient to boost the two-month totals for this year above 1984 levels. Oahu's cumulative total through February was 485,090, up 7 percent; Maui's total was 336,300, up 10 percent; and Kauai continued to lead the other counties by tallying 143,300 visitors for the year, up 12 percent. The

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	4th Qtr.	3,764	1.9	9.7
In 1972 Dollars	bil. $	4th Qtr.	1,665	1.2	5.8
PERSONAL INCOME**	bil. $	January	3,130p	0.5	8.0
INTEREST RATES					
AVERAGE PRIME RATE	percent	February	10.50	−1.0	−4.5
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	January	324.9p	2.0	15.7
CONSTRUCTION COST INDEXES:					
Residences	1967 = 100	November	363.3	0.2[1]	5.7
Apts, Hotels, Office Bldgs	1967 = 100	November	363.7	0.1[1]	3.1
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	January	106,391	0.1	3.0
UNEMPLOYMENT*	thous.	January	8,484	3.6	−6.0
UNEMPLOYMENT RATE*	percent	January	7.4	2.8	−7.5
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967 = 100	February	313.9	0.4	3.5
All Urban Consumers	1967 = 100	February	317.4	0.4	3.5
PRODUCER PRICE INDEXES:					
Finished Goods*	1967 = 100	January	292.4p	0.0	1.1
All Commodities	1967 = 100	December	309.9p	−0.2	1.2

p = preliminary.
[1] *Compared to September, 1984*
**Seasonally adjusted.*
***Seasonally adjusted at annual rates.*

business activity in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
TOURISM					
VISITOR EXPENDITURES	mil. $	1983	4,000p	......	8.1
OVERNIGHT OR LONGER VISITORS	number	February	412,000p	−4.5	3.9
	number	Jan.-Feb.	843,600p	......	8.8
Westbound	number	February	318,940p	−4.8	1.8
	number	Jan.-Feb.	653,870p	......	9.1
Eastbound	number	February	93,060p	−3.7	11.8
	number	Jan.-Feb.	189,730p	......	7.5
AVERAGE DAILY VISITOR CENSUS	number	Jan.-Feb.	123,550p	......	6.2
AVERAGE LENGTH OF STAY	no. of days	Jan.-Feb.	11.1p	......	−4.3
MEETING ATTENDANCE	number	January	28,761	......	21.5
ORGANIZED GROUP TOURS	number	Jan.-Feb.	164,970p	......	18.5
VISITOR COUNT BY COUNTY[1]					
Oahu	number	February	234,370p	−6.5	−1.8
	number	Jan.-Feb.	485,090p	......	6.9
Maui County	number	February	166,570p	−1.9	−0.1
	number	Jan.-Feb.	336,300p	......	10.5
Hawaii	number	February	68,110p	−0.1	−12.9
	number	Jan.-Feb.	136,300p	......	−1.8
Kauai	number	February	75,510p	11.4	4.6
	number	Jan.-Feb.	143,300p	......	11.8
VISITOR ACCOMMODATIONS:					
STATE	number	October	64,588	1.0[2]	7.3
Oahu	number	October	38,358	1.2[2]	7.3
Waikiki	number	October	33,649	1.4[2]	5.7
Maui (Island)	number	October	12,959	2.1[2]	8.5
Molokai	number	October	633	0.6[2]	1.1
Lanai	number	October	0	−100.0[2]	−100.0
Hawaii	number	October	6,944	−3.7[2]	−4.1
Kauai	number	October	5,694	3.5[2]	23.6
HOTEL OCCUPANCY:					
STATE	percent	January	84.4p	11.3	29.6
Oahu	percent	January	82.5p	4.6	20.1
Maui (Island)	percent	January	80.1p	−3.6	9.7
Hawaii	percent	January	60.7p	2.7	26.7
Kauai	percent	January	60.5p	−7.8	16.8

p = preliminary.
[1] *Estimated Westbound.*
[2] *Compared to June, 1984.*

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	4 Qtrs., 1984	1,950	......	1.0
Military Payroll	mil. $	4 Qtrs., 1984	837.8	......	4.5
Civilian Payroll	mil. $	4 Qtrs., 1984	601.5	......	4.5
Local Purchases	mil. $	4 Qtrs., 1984	511.1	......	−7.6
SUGAR					
VALUE OF CROP SALES (Unprocessed Cane)	thous. $	1983	266,500	......	15.5
SUGAR PRODUCTION	thous. tons	January	9.8	......	15.3
N. Y. RAW SUGAR PRICE	$/ton	January	414.40	......	−3.7
PINEAPPLE					
VALUE OF CROP SALES (Fresh Equivalent)	thous. $	1983	100,376	......	6.4
SHIPMENTS: CANNED[3]	mil. $	January	12.5	......	−60.1
FRESH	thous. lbs.	January	20,314	......	6.8
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1983	112,618	......	8.3
FLOWERS & NURSERY PRODUCTS	thous. $	1983	36,165	......	18.2
Anthurium Outshipments[4]	th. dozens	January	101.0	......	−17.8
Potted Foliage Plants	thous. $	1983	10,836	......	22.9
FRUITS & NUTS	thous. $	1983	38,521	......	−8.2
Papaya Sales	th. lbs.	January	3,700	......	−26.4
Average Farm Price	cents/lb.	January	15.0	15.4	23.0
Macadamia Nut Sales (in shell)	th. lbs.	1983	38,160	......	3.9
Average Farm Price	cents/lb.	1983	68.0	......	−8.0
VEGETABLES AND MELONS[5]	th. lbs.	January	4,472	......	−13.6
LIVESTOCK	thous. $	1983	86,413	......	10.2
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Dec.	31,160	......	−0.4
Average Farm Price (Feedlot Beef)	cents/lb.	December	89.5	1.1	−6.3
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Dec.	6,232	......	1.7
Average Farm Price	cents/lb.	December	103.5	−1.4	1.0
MILK PRODUCTION	mil. lbs.	Jan.-Dec.	148.3	......	−0.5
Average Price Sold to Plants	$/100 lbs.	December	20.05	−0.5	0.5
EGG PRODUCTION	mil.	Jan.-Dec.	210.6	......	5.6
Average Farm Price	cents/doz.	December	85.0	1.8	−1.2
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	January	85.3	......	−25.3
PRIVATE PERMITS AUTHORIZED					
STATE:					
RESIDENTIAL	thous. $	January	33,511	......	11.7
Single Family Units	number	January	233	......	−39.9
Multiple Family Units	number	January	193	......	865.0
NONRESIDENTIAL	thous. $	January	22,192	......	29.6
OAHU:					
RESIDENTIAL	thous. $	January	18,044	......	−4.7
Single Family Units	number	January	85	......	−64.9
Multiple Family Units	number	January	134	......	1,016.7
NONRESIDENTIAL	thous. $	January	15,092	......	36.8
MAUI CO.:					
RESIDENTIAL	thous. $	January	3,417	......	−0.8
Single Family Units	number	January	39	......	−18.8
Multiple Family Units	number	January	9	......	100.0
NONRESIDENTIAL	thous. $	January	1,408	......	239.3
HAWAII:					
RESIDENTIAL	thous. $	January	3,963	......	−15.8
Single Family Units	number	January	73	......	9.0
Multiple Family Units	number	January	6	......	−25.0
NONRESIDENTIAL	thous. $	January	5,701	......	32.2
KAUAI:					
RESIDENTIAL	thous. $	January	7,432	......	155.9
Single Family Units	number	January	36	......	16.1
Multiple Family Units	number	January	44	......	100.0
NONRESIDENTIAL	thous. $	January	646	......	−52.4

[3] *Gross taxable income valued at time of shipment.*
[4] *From Hawaii County.*
[5] *Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.*

Big Island's weak February totals was enough to negate January's strong tourist count, depressing its cumulative figure 2 percent behind the same period in 1984.

Hotel occupancies in January reflected that month's high visitor traffic. Statewide, occupancies were at 84 percent of rooms filled, up 12 percent over the previous January and 17 percent over the previous month. Over the year, Oahu and Maui enjoyed moderate gains of 8 percent and 9 percent, respectively, with Oahu enjoying a particularly good month at 92 percent of rooms filled. The Big Island and Kauai continued to experience a soft market with occupancies of 64 percent and 67 percent, respectively. In light of a 24 percent increase in its number of visitor accommodations available, Kauai's occupancies, which equaled last summer's peak period, appear to be a significant improvement. In contrast, the Big Island's occupancies appear relatively lower in the face of its 4-percent reduction in rooms.

With lowered interest rates and the return to normal operations following last year's crippling strikes, the construction industry began its recovery in the new year, with new construction in January totalling $85.3 million, up 5 percent from December. Construction jobs showed similar improvement, up 10 percent in January over-the-month. Nevertheless, due to the fact that the labor strikes occurred in the second half of 1984, both construction-put-in-place and construction jobs remained depressed compared to last year by 25 percent and 8 percent, respectively.

In most of the state, employment statistics in January showed little change. Overall, civilian labor force and employment totals changed less than a percentage point compared to either December or January of last year. On Maui, however, the labor force and employment figures showed resumption of a seasonal pattern of moderate growth following the post-summer labor slump. Maui's civilian labor force showed a monthly gain of 2 percent in January, while the number of persons employed rose 2 percent. This produced an unemployment rate of 6 percent, a full percentage point below the rate for January last year.

In contrast, Hawaii's unemployment and unemployment rates did move sharply downward, due to the seasonal departure of temporary hires and students from the labor force, but also due to the ending of last year's construction strikes in December and this January. The greatest relief was experienced on Oahu and Kauai, where the number of unemployed fell from December's levels by 15 percent and 13 percent, respectively. Unemployment rates on Maui and Kauai were also down by 14 percent and 27 percent, respectively, compared to January, 1984 figures.

Statewide, job counts dropped slightly in January but were still ahead of the same period last year by 2 percent, led by gains in retail, hotel, and other tourism-related service industries. January job increases were paced by construction, which, as mentioned earlier, recorded a 10 percent jump following the settlement of the carpenter and electrical workers strikes. The sugar industry also boosted payrolls by 7 percent because of new field worker hires. Reflecting the continuing surge in tourism, hotel job counts grew in January by 2 percent, 5 percent above January last year. Job losses were principally suffered by the pineapple industry, which experienced seasonal and long-term job reductions of 23 percent in January, and by diversified agriculture, whose job counts dropped by 15 percent over the month.

SUGAR AND HAWAII

The first sugar plantation was started in 1835 at Koloa, Kauai, by New England merchants. After years of difficulties, the operation folded in 1845 and was sold. Fortunately for Hawaii, the problems of this early venture did not deter later sugar growers. In fact, the stumbling steps of the pioneering Ladd and Company mill in Koloa marked the beginning of an industry whose growth and dominance in Hawaii has profoundly shaped the evolution of the state, and molded the profile of its people.

It was in Hawaii's political and social history that the sugar industry's influence was most profound. After being elected King of Hawaii in 1873, David Kalakaua, aware of the economic importance of sugar and supported by foreign interests, began to forge stronger ties between Hawaii and the United States by securing a treaty of reciprocity between the two nations that would allow Hawaii's sugar to enter the U.S. duty free. This put Hawaii in a better position to compete against low-cost sugar from the Philippines and China. In return, the treaty provided the U.S. with a new source of sugar, for which demand was rising due to the California gold rush and the loss of southern sugar supplies during the Civil War. America was also granted exclusive use of what is now Pearl Harbor, thus establishing Hawaii as a strategic defense outpost.

The Reciprocity Treaty helped to firm

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS:					
STATE	thous. $	Jan.-Feb.	45,574	......	31.4
Oahu	thous. $	Jan.-Feb.	29,739	......	40.1
Maui County	thous. $	Jan.-Feb.	12,127	......	396.6
Hawaii	thous. $	Jan.-Feb.	3,023	......	−44.9
Kauai	thous. $	Jan.-Feb.	685.9	......	−87.6
BY LEVEL OF GOVERNMENT:					
Federal	thous. $	Jan.-Feb.	4,156	......	−19.4
State	thous. $	Jan.-Feb.	5,241	......	−68.6
County	thous. $	Jan.-Feb.	36,178	......	182.0
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	February	351.6	0.2	2.6
HIGH-RISE	1967 = 100	February	368.5	−0.2	2.0
REAL ESTATE					
NEW SALES					
OAHU: Single Family	number	January	186	......	46.5
Condominium	number	January	173	......	137.0
RESALES					
STATE: Single Family	number	January	121	......	6.1
Average Price	dollars	January	170,292	......	−7.3
Condominium	number	January	160	......	11.9
Average Price	dollars	January	103,281	......	−11.8
OAHU: Single Family	number	January	88	......	23.9
Average Price	dollars	January	188,935	......	−15.3
Condominium	number	January	126	......	17.8
Average Price	dollars	January	96,369	......	−10.0
MAUI CO.: Single Family	number	January	12	......	−7.7
Average Price	dollars	January	168,708	......	27.5
Condominium	number	January	28	......	7.7
Average Price	dollars	January	136,627	......	−15.3
HAWAII: Single Family	number	January	15	......	−34.8
Average Price	dollars	January	76,867	......	−16.0
Condominium	number	January	4	......	−42.9
Average Price	dollars	January	83,231	......	−21.3
KAUAI: Single Family	number	January	6	......	−14.3
Average Price	dollars	January	133,583	......	−26.6
Condominium	number	January	2	......	−33.3
Average Price	dollars	January	112,000	......	−5.2
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	January	2,215.6	......	−3.8
DIVERSIFIED MANUFACTURING	mil. $	January	39.1	......	−22.9
DIVERSIFIED AGRICULTURE	mil. $	January	25.0	......	4.6
RETAILING	mil. $	January	803.8	......	−4.3
WHOLESALING	mil. $	January	615.3	......	−1.8
SERVICES	mil. $	January	512.0	......	6.4
OAHU NEW CAR SALES	number	January	3,294p	......	−7.4
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	January	573.5	......	−2.8
GAS SALES	th. therms.	January	4,187	......	3.1
TELEPHONE LINES IN SERVICE	thous.	January	473.8	0.3	2.4
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX:					
Wage Earners and Clerical Workers	1967 = 100	February	300.3	0.5	5.6
All Urban Consumers	1967 = 100	February	292.6	0.5	4.2

p = preliminary.

FIRST
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population and income in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1984	1,141p	......	2.3
Total Resident Population	thous.	July 1, 1984	1,039p	......	2.1
OAHU:					
Total De Facto Population	thous.	July 1, 1984	865.2p	......	2.2
Total Resident Population	thous.	July 1, 1984	803.0p	......	1.7
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1984	107.1p	......	3.4
Total Resident Population	thous.	July 1, 1984	83.3p	......	4.6
HAWAII:					
Total De Facto Population	thous.	July 1, 1984	115.8p	......	2.1
Total Resident Population	thous.	July 1, 1984	107.8p	......	2.0
KAUAI:					
Total De Facto Population	thous.	July 1, 1984	52.5p	......	3.1
Total Resident Population	thous.	July 1, 1984	44.6p	......	3.2
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1984	981.4p	......	1.9
MILITARY PERSONNEL:					
STATE	number	July 1, 1984	60,804	......	3.0
Ashore	number	July 1, 1984	56,321	......	4.8
Afloat	number	July 1, 1984	4,483	......	−14.9
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1984	67,083	......	1.3
FOREIGN IMMIGRATION[1]	number	Jan.-Feb.	999	......	33.7
INCOME					
TOTAL PERSONAL INCOME**	mil. $	3rd Qtr., 1984	13,465p	1.4	9.2
EMPLOYMENT INCOME[2]	mil. $	3rd Qtr., 1984	9,725p	0.6	8.2
Manufacturing	mil. $	3rd Qtr., 1984	433p	−4.8	−4.0
Construction & Mining	mil. $	3rd Qtr., 1984	508p	−4.9	−4.9
Wholesale	mil. $	3rd Qtr., 1984	416p	2.2	10.3
Retail	mil. $	3rd Qtr., 1984	1,095p	−0.5	8.1
Finance, Ins., & Real Estate	mil. $	3rd Qtr., 1984	672p	0.7	8.0
Trans., Comm., & Util.	mil. $	3rd Qtr., 1984	876p	2.2	17.1
Services	mil. $	3rd Qtr., 1984	2,158p	2.0	10.5
Farm & Other	mil. $	3rd Qtr., 1984	315p	4.0	9.0
Federal Civilian	mil. $	3rd Qtr., 1984	870p	1.6	1.3
Federal Military	mil. $	3rd Qtr., 1984	1,263p	1.6	14.5
State & Local	mil. $	3rd Qtr., 1984	1,120p	−0.3	7.9
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	3rd Qtr., 1984	2,614p	4.4	15.2
TRANSFER PAYMENTS (1,764) minus Personal Contributions for Social Insurance (639)	mil. $	3rd Qtr., 1984	1,125p	1.7	4.1
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1983	12,114p	......	4.5
Oahu	dollars	1982	12,130p	......	5.3
Maui County	dollars	1982	10,458p	......	7.1
Hawaii	dollars	1982	9,148p	......	2.2
Kauai	dollars	1982	9,869p	......	5.8

**Total personal income and all components are seasonally adjusted at annual rates.

[1] Includes only those entering Honolulu ports and do not include status changes.

[2] Includes wage and salary disbursements, proprietors' income, and other labor income.

p = preliminary.

HAWAIIAN BANK
Established 1858

relations between Hawaii and the U.S., which had feared that the growing influence and interest of Great Britain in the islands might lead to the colonization of Hawaii. The treaty was thus a significant stepping stone in the growing diplomatic relationship between Hawaii and America, which would lead to annexation, and ultimately statehood.

With passage of the Reciprocity Treaty, a huge jump was triggered in sugar production. Exercising the right of foreigners to buy land established by the Hawaii legislature in 1850, plantations expanded by 20,000 acres in just five years, reaching 55,000 acres in 1880. New mills were constructed and equipment modernized according to the latest available technology. More significantly, increased labor requirements spurred the importation of foreign workers.

The waves of immigrants brought in by the plantations are the most significant example of sugar's great influence on Hawaii. The growing and harvesting of sugarcane was hard work, requiring many hands and strong backs willing to meet the demands of the seasons and the vast acreage of the plantations. Moreover, after 1876, sugar production boomed, from 20,000 tons in 1879 to 50,000 tons in 1882 and 100,000 tons in 1890. To meet these needs, the plantations recruited labor from Asia and Europe, and thereby forever changed the cultural complexion of the islands.

Between 1876 and 1885, Hawaii recruited contract laborers from China (25,555), Portugal (10,216), the South Seas islands (2,221), and Northern Europe, mainly Germany (1,176).

However, even this massive importation effort did not satisfy sugar's need for workers. After their contracts expired, most of the Chinese left the plantations to settle in towns, and the cost of transportation made it prohibitive to bring more Portuguese to Hawaii. Finally, after years of negotiations with their government, the first Japanese contract laborers arrived in Honolulu on February 9, 1885, the first of 218,418 who would eventually enter the sugar industry's workforce.

Korean immigrants also came in large groups between 1903 and 1906, but the flow was halted by the federal Immigration Act of 1907. This Act was sponsored by the State of California, which saw the massive migration of Asian workers as a social threat. To make up for the loss of the Asian labor pool, sugar plantations turned to Portugal, Spain, the Philippines, and Puerto Rico for their continuing labor needs. In all, over 350,000 immigrants came to Hawaii.

The plantation system into which these workers were placed also left its mark. In these camps, all of the workers' needs for housing, food, health care, education, and recreation were supplied by the company. Housed together at close quarters and deployed side by side in the fields, persons from various ethnic groups learned how to live together. Over time, they shared the differing languages and lifestyles of their home countries, which today is manifest in the diversity of cultures that gives Hawaii its special distinction.

The boom in sugar also brought the need for more financial services and supplies to keep up with the expansion. Charles Reed Bishop, whose Bishop and Company was the forerunner of First Hawaiian Bank, owed his start to the capital needs of sugar planters. Sugar factors sprang up, business firms which acted as agents for the plantations in obtaining financing, acquiring supplies and equipment, and in selling their product to distant markets across the ocean. From these firms sprang the business giants known as the Big Five: Castle & Cooke, Alexander & Baldwin, C. Brewer & Company, American Factors (now recognized as Amfac), and Theo H. Davies & Company.

By 1910, the Big Five produced 75 percent of the sugar crop; by 1933, they produced 96 percent. The Big Five also began to employ more of Hawaii's labor force. By 1932, sugar accounted for 50,000 workers, or over forty percent of Hawaii's employed persons. In servicing nearly all of the sugar plantations operating in Hawaii, the Big Five held actual control of the sugar industry. Furthermore, by way of family and company alliances, the reach of the Big Five extended throughout the young Hawaiian economy. Areas within the Big Five's sphere of influence included banking, insurance, utilities, wholesale and retail trade, island railroads, interisland and overseas shipping, and government. As early as 1905, a study commented: "Directly or indirectly, all individuals in the territory of Hawaii are ultimately dependent upon the sugar industry." No wonder the industry acquired the nickname of "King Sugar."

The pervasiveness of the Big Five set the stage for the development of unions in Hawaii. To the sugar companies' credit, the plantation workers enjoyed wages that were higher than that received by comparable workers anywhere else in the world. With the involvement of the plantation system in all areas of the workers' lives, however, came the assumption of perceived responsibility for all forms of worker dis-

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	January	468.1p	−0.7	−0.2
Employment	thous.	January	443.7p	0.0	0.3
Unemployment	thous.	January	24.4p	−11.9	−9.0
Unemployment Rate	percent	January	5.2p	−11.9	−8.8
OAHU:					
Civilian Labor Force	thous.	January	356.5p	−1.2	−0.6
Employment	thous.	January	339.6p	−0.4	−0.3
Unemployment	thous.	January	16.9p	−15.1	−6.6
Unemployment Rate	percent	January	4.7p	−14.5	−7.8
MAUI COUNTY:					
Civilian Labor Force	thous.	January	43.7p	2.3	2.1
Employment	thous.	January	41.1p	2.5	3.0
Unemployment	thous.	January	2.6p	4.0	−13.3
Unemployment Rate	percent	January	5.9p	−1.7	−14.5
HAWAII:					
Civilian Labor Force	thous.	January	46.4p	−0.2	1.3
Employment	thous.	January	42.8p	0.0	2.1
Unemployment	thous.	January	3.6p	−2.7	−7.7
Unemployment Rate	percent	January	7.8p	−3.7	−8.2
KAUAI:					
Civilian Labor Force	thous.	January	21.5p	0.9	−2.3
Employment	thous.	January	20.2p	1.5	0.5
Unemployment	thous.	January	1.3p	−13.3	−31.6
Unemployment Rate	percent	January	6.2p	−8.8	−27.1
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	January	452.6p	−1.2	2.5
SUGAR (Mill and Field)	thous.	January	7.8p	8.8	−3.7
PINEAPPLE (Cannery and Field)	thous.	January	2.7p	−22.9	−25.0
DIVERSIFIED MANUFACTURING (Excluding Sugar and Pineapple)	thous.	January	15.5p	−1.3	−3.7
Durable Goods	thous.	January	3.0p	−6.3	−16.7
Non-Durable Goods	thous.	January	12.5p	0.0	0.0
Apparel and Textiles	thous.	January	2.9p	0.0	0.0
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	January	6.7p	−15.2	−6.9
CONTRACT CONSTRUCTION	thous.	January	16.1p	9.5	−6.0
TRANSPORTATION	thous.	January	22.1p	−1.3	6.8
COMMUNICATION	thous.	January	7.5p	1.4	1.4
UTILITIES	thous.	January	2.4p	0.0	0.0
RETAIL TRADE	thous.	January	93.5p	−1.5	5.6
WHOLESALE TRADE	thous.	January	18.8p	0.0	3.9
FINANCE, INSURANCE AND REAL ESTATE	thous.	January	32.1p	0.6	3.2
HOTEL SERVICES—STATE	thous.	January	29.1p	1.7	5.1
Oahu	thous.	January	16.1p	1.3	3.9
Maui County	thous.	January	6.7p	0.0	6.3
Hawaii	thous.	January	3.9p	0.0	8.3
Kauai	thous.	January	2.3p	4.5	0.0
OTHER SERVICES	thous.	January	80.7p	−0.4	4.7
FEDERAL GOVERNMENT	thous.	January	32.1p	−2.1	1.3
Civilian Agencies	thous.	January	11.6p	−4.1	4.5
Defense Department	thous.	January	20.5p	−1.0	0.0
STATE GOVERNMENT	thous.	January	46.9p	−3.9	3.1
COUNTY GOVERNMENT	thous.	January	12.7p	−1.6	1.6
NON-AGRICULTURE SELF-EMPLOYED	thous.	January	26.1p	0.0	−0.8
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	January	15,507	22.5	12.6
INTRASTATE INITIAL CLAIMS	number	January	7,242	—	−4.4
INTERSTATE INITIAL CLAIMS	number	January	412	—	−1.4
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	January	8,270	—	21.8

p= preliminary.

satisfaction. The natural leaders among the workers helped to channel these sentiments into the formation of labor unions.

Because the first unions were organized solely along racial lines, early strikes were ineffectual. It was only after the intervention by the International Longshoremen's and Warehousemen's Union (ILWU) that sugar workers began to exert some clout. The ILWU, steeled by hard-won successes on the waterfronts of Hawaii and the West Coast, was able to unify the racial divisions among sugar workers and forge an industry-wide labor alliance.

Following the lifting of martial law after World War II and the passage of the Hawaii Employment Relations Act of 1945, the ILWU won workers' approval in both the sugar and pineapple plantations. The union proved its effectiveness by winning a 1946 sugar industry strike that, by converting paternalistic plantation benefits into their cash equivalent, gave workers greater independence. Through the ILWU, plantation workers were able to mount a credible challenge to the power of the Big Five.

The political impact of unionization was just as significant. Up to then, the Republican Party's influence in Hawaii, supported by the the Big Five, was uncontested. In 1946, however, the ILWU established a Political Action Committee, and began to make its presence felt in local elections through the Democratic Party. Filling its ranks with newly enfranchised citizens drawn from the various immigrant groups in the plantations, the Democratic Party began to rapidly grow in number and in power. This new trend reached a watershed in 1954 when the Democrats won a majority in the Territorial Legislature. Since 1962, all of Hawaii's governors have been Democrats.

Thus, the political and social evolution of Hawaii has been inexorably intertwined with the development of the sugar industry. As in the history of any people or place, Hawaii has had its share of turmoil and difficulty, but it has also enjoyed fortune and progress. Sugar has been very much a part and parcel of that historical process. The industry may be credited as the means through which the less privileged of other countries sought the promise of a better life, and the impetus to which so many owe their existence today in this beautiful state. As we mark the 150th anniversary of the sugar industry, we can commemorate the successes and setbacks of sugar as our own, for in a true sense, the history of our sugar industry **is** the history of our islands.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	January	60,213	−0.1	−4.4
Payments	thous. $	January	8,286	......	−5.5
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	January	45,177	−0.6	−3.9
Payments	thous. $	January	14,056	......	15.6
FOOD STAMPS:					
Recipients[1]	no./persons	December	101,746	0.7	2.9
Payments	thous. $	Jan.-Dec.	83,204	......	3.5
SERVICES:					
Recipients[1]	no./cases	4th Qtr.	6,864	−0.6	0.5
Payments	thous. $	Yr. to 4th Qtr.	13,802	......	−4.0

[1] Count of recipients is duplicated. A person may be counted in each category.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	January	6,445	−0.9	9.6
Debits To Demand Deposits	mil. $	January	7,847	......	6.1
OAHU:					
Total Deposits	mil. $	January	5,317	−1.0	9.2
Debits To Demand Deposits	mil. $	January	7,118	......	5.0
MAUI COUNTY:					
Total Deposits	mil. $	January	422.5	−0.8	16.9
Debits To Demand Deposits	mil. $	January	330.8	......	28.0
HAWAII:					
Total Deposits	mil. $	January	476.6	0.0	8.5
Debits To Demand Deposits	mil. $	January	288.3	......	9.5
KAUAI:					
Total Deposits	mil. $	January	229.0	−0.2	7.7
Debits To Demand Deposits	mil. $	January	110.1	......	1.0
BANK LOANS OUTSTANDING—STATE:	mil. $	4th Qtr.	4,202	5.8	11.6[1]
Real Estate	mil. $	4th Qtr.	1,685	2.5	2.0
Consumer	mil. $	4th Qtr.	944.3	3.8	10.7
Commercial & Industrial	mil. $	4th Qtr.	1,238	9.9	7.5
Other	mil. $	4th Qtr.	334.8	15.4	209.7[1]
CONVENTIONAL HOME MORTAGE RATES: HONOLULU	percent	January	13.1	2.0	5.6
SAVINGS & LOAN ASSOCIATIONS:[2]					
TOTAL DEPOSITS	mil. $	January	3,880.8	2.0	4.3
LOANS	mil. $	January	57.4	−17.6	76.1
Residential	mil. $	January	40.3	−5.8	210.0
Other	mil. $	January	17.0	−28.1	−13.3
TAX COLLECTIONS:[3]					
STATE	thous. $	January	136,248	......	12.6
Oahu	thous. $	January	117,635	......	10.4
Maui County	thous. $	January	8,183	......	47.3
Hawaii	thous. $	January	7,413	......	19.1
Kauai	thous. $	January	3,017	......	9.7

[1] Reporting category changed in 1984.

[2] Includes data for both Hawaii and Guam.

[3] Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

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The new container barge Haleakala being outfitted for interisland service—Advertiser photo

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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank May/June 1985

West Hawaii's Emerging Future

West Hawaii from North Kohala to Keahou-Kona is on the verge of an investment boom that will have a fundamental impact on the county's and the state's economic future. Over a billion dollars of construction are slated for major resort properties in South Kohala alone. The permanent population of Kona and Kohala, particularly the older groups, is projected to almost double by the year 2000, dwarfing an island-wide 31-percent increase forecast by the Department of Planning and Economic Development.

The anticipated growth will result to a major extent from the planned construction of new resorts in South Kohala, the largest being the 1,260-room Hyatt Regency at Waikoloa. This $300 million world-class resort will feature a monorail, gondola-graced waterways to connect its three main buildings, a walk-through Pacific-Basin Museum, a large sports complex, and the biggest convention center on the Neighbor Islands. The project will create an estimated 1,500 construction jobs, and establish a permanent work force of about 2,000 hotel and retail employees.

North of the proposed Hyatt Hotel, adjacent to Hapuna Beach Park, Mauna Kea Properties is planning a $300 million complex composed of a 350-room hotel, 600 multifamily units, 100 single-family units, and related recreational facilities. In North Kohala, Mahukona Properties is proposing a 74-acre residential subdivision near Kapaau and a 1,700-acre agricultural community near Hawi.

In the meantime, plans have been announced for the town of Waimea which includes a revised town center of 480 acres, a light-industrial and high-technology park of 130 acres, and a residential-agricultural subdivision of 190 acres. The industrial park would serve as the base operations for the Mauna Kea astronomical observatories, and the residential subdivision would provide about 800 living units, ranging from low-rent apartments to five-acre gentleman farms.

Also, contributing to West Hawaii economic growth are the area's macadamia nut orchards, the rebirth of coffee, and aquaculture development programs. The coffee industry has enjoyed a strong resurgence since its development as a gourmet food product. Prices, demand, and crop yields have shown strong improvement. In the meantime, a new Hawaii Ocean Science Technology Park will be developed next to the Hawaii Natural Energy Laboratory at Keahole, and within five years, could generate as much as 4,400 direct and indirect jobs with annual payrolls of $62 million.

The acceleration of economic activity in West Hawaii will bring increasing pressure on the area's infrastructure and existing facilities. For example, one major constraint concerns transportation. Despite the inauguration of direct mainland flights at Keahole Airport, there are no obvious plans to expand or improve that facility, which was designed for interisland use. However, with the expected increase in visitors to West Hawaii, the time may be appropriate for a re-examination of the urgent need to expand the runway capacity at Keahole. With increased demand, development costs could easily be amortized over a short period. Many facilities are already in place. Strong efforts should be directed toward stimulating the participation of the airlines in supporting the expansion costs.

With the increase in construction activity, Kawaihae Harbor will also begin to exercise increasing importance as a strategic transshipment point for building materials, heavy cargo, and refrigerated shipments into and out of the area. Attention will need to be focussed on insuring adequate berthing facilities and handling capacity for ocean transport vessels.

Water is another critical need. According to the Kona Regional Plan, abundant groundwater resources already exist. However, new water developments will be needed for future expansion. In South Kohala, developers will be expected to provide their own water supplies from available underground sources since there is no public water system in the area.

Hawaii County is facing nothing less than a complete transformation of its economy and society as the face of West Hawaii's future development slowly becomes revealed. All of these changes place heavy responsibility on the Hawaii County government to integrate the powerful forces of growth into the existing economic, social, and environmental fabric of West Hawaii. The further need for proper planning becomes even more critical. Although comprehensive plans have been prepared for North Kohala and Kona, conspicuously missing so far is a plan covering the rapidly growing South Kohala District. At issue is whether the public and private sectors can work together to achieve the goals of the entire community, and whether the county government will have the resources necessary to support this growth despite the efforts of anti-property-tax groups to limit the county's revenue base.

Clearly, West Hawaii has now become the focus of large-scale resort development in our state. The Carpenter Administration has come down solidly behind the development of the region. Let us hope that the lessons learned from past growth will be judiciously applied to maintain the uniquely Hawaiian character of the region, the high quality of life, and the friendly people of West Hawaii who have made it such a magnet for so many.

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MAY/JUNE FEATURE STORY: HAWAII'S RETIREMENT INDUSTRY

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CURRENT BUSINESS TRENDS

The first quarter of 1985 saw Hawaii's economy showing continuing momentum from the exceptional performance recorded in 1984. However, while tourism continued to show over-the-year gains, growth was below the double-digit advances of last year. Business receipts showed seasonal weakening in certain areas, except in the diversified agriculture and service sectors which maintained over-the-year gains. Overall, it appears likely that the Hawaiian economy will begin to mirror the national trend of easing into a period of moderate growth following the major upswing enjoyed last year.

Gross business receipts showed a month-to-month jump of 5 percent to $2 billion in March. However, because of last year's exceptional January sales, this year's cumulative totals are ahead of 1984's performance by only 4 percent. Tourism-related sectors continued to exhibit solid strength by surpassing last year's accelerated pace. For example, total receipts for the service industry through March were $1.5 billion, 11 percent ahead of last year's already robust first quarter.

Usually a slow month, tourist arrivals in April dropped 9 percent overall from the previous month, placing total overnight-and-longer visitor counts at 408,800. Westbound visitors fell to 315,180, down 13 percent from March, but eastbound visitors were up 7 percent at 93,620. Despite some setbacks, total visitor counts for the year were still 6 percent ahead of last year due to this January's exceptionally high westbound arrivals.

County visitor arrivals reflected seasonal retreats in April, with Maui's and Kauai's cumulative counts showing remarkable year-to-year resiliency in light of their enormous recovery during the first half of 1984. So far this year through April, Oahu's westbound overnight and longer visitors tallied 983,180, ahead 3 percent from the same

u. s. economic indicators

Series	Unit	Period	Number	Percent Change	
				preceding period	year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	1st Qtr.	3,817	1.5	7.4
In 1972 Dollars	bil. $	1st Qtr.	1,665	0.2	3.4
PERSONAL INCOME**	bil. $	March	3,156p	0.5	7.3
INTEREST RATES					
AVERAGE PRIME RATE	percent	April	10.50	0.0	−12.0
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	March	324.2p	0.1	4.7
CONSTRUCTION COST INDEXES:					
Residences	1967 = 100	January	364.4	0.3[1]	3.5
Apts. Hotels, Office Bldgs.	1967 = 100	January	364.1	0.1[1]	2.2
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	March	107,119	0.4	2.9
UNEMPLOYMENT*	thous.	March	8,396	0.0	−4.4
UNEMPLOYMENT RATE*	percent	March	7.3	0.0	−6.4
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967 = 100	April	316.7	0.4	4.1
All Urban Consumers	1967 = 100	April	320.1	0.4	3.7
PRODUCER PRICE INDEXES:					
Finished Goods*	1967 = 100	March	292.7p	0.2	0.4
All Commodities	1967 = 100	February	309.2p	−0.2	0.1

p = preliminary.
[1] Compared to November, 1984.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

business activity in hawaii

TOURISM					
VISITOR EXPENDITURES	mil. $	1984	4,582p	......	15.3
OVERNIGHT OR LONGER VISITORS	number	April	408,800p	−9.2	6.6
	number	Jan.-Apr.	1,702,670p	......	6.3
Westbound	number	April	315,180p	−13.1	6.5
	number	Jan.-Apr.	1,331,890p	......	6.5
Eastbound	number	April	93,620p	7.1	7.0
	number	Jan.-Apr.	370,780p	......	5.4
AVERAGE DAILY VISITOR CENSUS	number	Jan.-Apr.	116,150p	......	4.7
AVERAGE LENGTH OF STAY	no. of days	Jan.-Apr.	10.5p	......	−1.9
MEETING ATTENDANCE	number	March	75,040	......	31.5
ORGANIZED GROUP TOURS	number	Jan.-Apr.	330,230p	......	6.6
VISITOR COUNT BY COUNTY[1]					
Oahu	number	April	234,250p	−11.2	4.2
	number	Jan.-Apr.	983,160p	......	3.4
Maui County	number	April	163,960p	−11.1	9.5
	number	Jan.-Apr.	684,700p	......	7.8
Hawaii	number	April	57,410p	−17.1	10.6
	number	Jan.-Apr.	262,940p	......	−1.2
Kauai	number	April	69,130p	−14.4	23.9
	number	Jan.-Apr.	293,160p	......	12.1
VISITOR ACCOMMODATIONS:					
STATE	number	February	65,919	2.1[2]	5.6
Oahu	number	February	38,600	0.6[2]	4.8
Waikiki	number	February	33,879	0.7[2]	5.1
Maui (Island)	number	February	13,515	4.3[2]	8.1
Molokai	number	February	627	−0.9[2]	0.0
Lanai	number	February	10	100.0[2]	−16.7
Hawaii	number	February	7,511	8.2[2]	5.1
Kauai	number	February	5,656	−0.7[2]	6.5
HOTEL OCCUPANCY:					
STATE	percent	March	87.1p	−6.1	−0.7
		Jan.-Mar.	87.7p	......	4.4
Oahu	percent	March	89.5p	−6.1	−4.2
		Jan.-Mar.	92.2p	......	1.5
Maui (Island)	percent	March	91.3p	−4.4	0.6
		Jan.-Mar.	89.8p	......	3.8
Hawaii	percent	March	71.7p	−13.9	7.5
		Jan.-Mar.	72.9p	......	15.0
Kauai	percent	March	84.4p	−1.2	8.1
		Jan.-Mar.	77.8p	......	15.9

p = preliminary. [1] Estimated Westbound. [2] Compared to October, 1984.

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	1st Qtr., 1985	485.1	—	0.4
Military Payroll	mil. $	1st Qtr., 1985	217.2	—	6.1
Civilian Payroll	mil. $	1st Qtr., 1985	141.2	—	2.8
Local Purchases	mil. $	1st Qtr., 1985	126.7	—	−10.1
SUGAR					
VALUE OF CROP SALES					
(Unprocessed Cane)	thous. $	1983	266,500	—	15.5
SUGAR PRODUCTION	thous. tons	Jan.-Mar.	94.3	—	−34.8
N. Y. RAW SUGAR PRICE	$/ton	Jan.-Mar.	413.60	—	−5.2
PINEAPPLE					
VALUE OF CROP SALES					
(Fresh Equivalent)	thous. $	1983	100,376	—	6.4
SHIPMENTS: CANNED[1]	thous. $	Jan.-Mar.	35,462	—	−33.8
FRESH	thous. lbs.	Jan.-Mar.	63,137	—	−1.9
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1983	112,618	—	8.3
FLOWERS & NURSERY PRODUCTS	thous. $	1984	42,905	—	18.6
Anthurium Outshipments[2]	th. dozens	Jan.-Mar.	315.0	—	−19.9
Potted Foliage Plants	thous. $	1983	10,836	—	22.9
FRUITS & NUTS	thous. $	1983	38,521	—	−8.2
Papaya Sales	th. lbs.	Jan.-Mar.	12,780	—	−19.9
Average Farm Price	cents/lb.	March	20.0	5.3	34.2
Macadamia Nut Sales in Shell	th. lbs.	1984	36,500	—	0.2
Average Farm Price	cents/lb.	1984	67.0	—	2.0
VEGETABLES AND MELONS[3]	th. lbs.	Jan.-Mar.	13,973	—	−20.7
LIVESTOCK	thous. $	1983	86,413	—	10.2
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Mar.	7,726	—	−2.8
Average Farm Price (Feeder Beef)	cents/lb.	March	88.0	0.0	−11.1
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Mar.	1,476	—	1.7
Average Farm Price	cents/lb.	March	104.5	0.0	1.5
MILK PRODUCTION	mil. lbs.	Jan.-Mar.	35.7	—	−6.8
Average Price Sold to Plants	$/100 lbs.	March	20.30	−2.0	0.1
EGG PRODUCTION	mil.	Jan.-Mar.	53.2	—	2.7
Average Farm Price	cents/doz.	March	86.0	−1.1	−6.5
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-Mar.	268.6	—	−19.1
PRIVATE PERMITS AUTHORIZED					
STATE					
RESIDENTIAL	thous. $	Jan.-Feb.	79,382	—	28.7
Single Family Units	number	Jan.-Feb.	499	—	−34.5
Multiple Family Units	number	Jan.-Feb.	389	—	1,668.2
NONRESIDENTIAL	thous. $	Jan.-Feb.	36,951	—	−16.0
OAHU					
RESIDENTIAL	thous. $	Jan.-Mar.	85,638	—	62.8
Single Family Units	number	Jan.-Mar.	301	—	−51.8
Multiple Family Units	number	Jan.-Mar.	1,004	—	5,477.8
NONRESIDENTIAL	thous. $	Jan.-Mar.	33,530	—	−9.8
MAUI CO.					
RESIDENTIAL	thous. $	Jan.-Feb.	7,028	—	−14.0
Single Family Units	number	Jan.-Feb.	80	—	−30.4
Multiple Family Units	number	Jan.-Feb.	11	—	100.0
NONRESIDENTIAL	thous. $	Jan.-Feb.	2,849	—	−38.0
HAWAII					
RESIDENTIAL	thous. $	Jan.-Mar.	34,564	—	162.5
Single Family Units	number	Jan.-Mar.	233	—	7.9
Multiple Family Units	number	Jan.-Mar.	130	—	983.3
NONRESIDENTIAL	thous. $	Jan.-Mar.	11,464	—	9.8
KAUAI					
RESIDENTIAL	thous. $	Jan.-Mar.	11,567	—	−11.2
Single Family Units	number	Jan.-Mar.	85	—	21.4
Multiple Family Units	number	Jan.-Mar.	44	—	25.7
NONRESIDENTIAL	thous. $	Jan.-Mar.	3,049	—	6.8

[1] Gross taxable income valued at time of shipment.
[2] From Hawaii County.
[3] Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.

period last year; Maui received 684,700 visitors, up 8 percent; the Big Island hosted 262,940 visitors, down 1 percent; and Kauai totalled 293,160 visitors, up 12 percent.

In agriculture, both sugar and pineapple have been experiencing difficulty. Sugar production through March of this year dropped 35 percent to 94 thousand tons from 145 thousand tons in 1984, with prices also trailing 1984 levels by 5 percent. Industry jobs were also depressed, remaining 5 percent below 1984 payrolls.

Due in part to extraordinary January sales last year and a labor strike at the Dole Co. Iwilei canning plant that began this February, canned pineapple sales have lagged far behind 1984 levels. In March, cumulative receipts were at $36 million, 34 percent behind 1984. Shipments of fresh pineapple, however, have now caught up to 1984's healthy pace. Furthermore, because of large labor cutbacks made last year, pineapple industry job counts in March were able to show an annual increase of 11 percent despite uneven sales.

Anthurium and papaya production captured the spotlight in diversified agriculture in March. Continuing a trend started in January, cumulative Big Island anthurium sales continued to trail 20 percent behind 1984. Plagued by the strong dollar and other factors, foreign sales have been cut by half, and production has been hurt by last year's drought, volcanic eruptions, and plant disease. Papaya sales have recovered from reduced levels in December and January, but remain 20 percent behind last year. The prices that papaya growers received for their product improved by 34 percent compared to conditions during last year's glut. Production has been hampered, however, by windy and cold weather. Despite these setbacks, during the first quarter of 1985, diversified agriculture enjoyed overall sales that were 18 percent above last year.

In March, new construction expenditures inched 1 percent above February to a total of $92 million, which left this year's total still 19 percent behind last year's pace. However, signs of the industry's recovery from 1984's labor disputes were positive in construction job counts, which rose 9 percent above 1984 despite this year's mid-March ironworkers strike. Future construction, as indicated in building permit activity, promises new strength, particularly on Oahu and the Big Island.

The state's real estate market has been showing mixed results. In the new housing market, single-family sales through March were 6 percent less than last year's figures, primarily because of a flurry of home sales in February of last year. Because of a similar spurt of condominium sales in February of 1984, the 476 new condominium units sold in the first quarter of 1985 lagged 16 percent behind 1984.

In the resale market, single-family and condominium sales were clearly ahead of last year's pace by 20 percent and 29 percent, respectively. Through March, 516 single family and 666 condominium resales were recorded in the state. Prices failed to follow sales advances, however. Average single-family resale prices for the first quarter were $166,276 or 2.6 percent less than 1984, while average condominium prices remained virtually unchanged from last year at $108,846. These trends were most pronounced on Oahu, where single-family resales of 398 through March were 35 percent ahead of 1984, while prices were 7 percent below at $181,219. Similarly, Oahu condominium resales of 552 were 35 percent ahead of 1984, while prices were virtually unchanged at $103,422.

Employment in Hawaii continued to show positive growth. One-percent monthly gains were recorded during March in Hawaii's civilian labor force, up to 477,600, and in the number of employed persons, to 456,250 persons. The numbers of unemployed recorded another year-to-year decline of 20 percent, a consistent trend since the Hawaiian economy's recovery in mid-1983. The unemployment rate continued at a low 4.5 percent in March, making Hawaii the state with the lowest unemployment rate in the nation.

After a weak second half in 1984, the total job count in Hawaii moved slightly higher in March to 460,650, 1.5 percent above March of last year. Over-the-year growth was shared by such industries as pineapple (up 11 percent), construction (up 9 percent), retailing (up 3 percent), and hotel services (up 3 percent). Over-the-year shrinkages occurred primarily in sugar (down 5.6 percent), diversified manufacturing (down 4.6 percent), and diversified agriculture (down 9 percent).

HAWAII'S RETIREMENT INDUSTRY

Twenty years ago in Hawaii, a *Honolulu Advertiser* article stirred public interest in the possibility that Hawaii might someday develop a retirement industry to broaden its economic base. The notion that Hawaii could be attractive enough to stimulate the in-migration of substantial numbers of retirees was based on a number of obvious

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change	
				preceding period	year ago
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS:					
STATE	thous. $	Jan.-Apr.	85,929	......	−20.0
Oahu	thous. $	Jan.-Apr.	57,348	......	−17.4
Maui County	thous. $	Jan.-Apr.	18,932	......	280.8
Hawaii	thous. $	Jan.-Apr.	3,601	......	−42.6
Kauai	thous. $	Jan.-Apr.	6,049	......	−77.4
BY LEVEL OF GOVERNMENT:					
Federal	thous. $	Jan.-Apr.	21,072	......	−30.8
State	thous. $	Jan.-Apr.	26,836	......	−51.9
County	thous. $	Jan.-Apr.	41,232	......	94.8
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	April	353.4	0.3	1.7
HIGH-RISE	1967 = 100	April	371.3	0.5	1.3
REAL ESTATE					
NEW SALES					
OAHU Single Family	number	Jan.-Mar.	464	......	−5.9
Condominium	number	Jan.-Mar.	476	......	−15.6
RESALES					
STATE Single Family	number	Jan.-Mar.	516	......	20.0
Average Price	dollars	Jan.-Mar.	166,276	......	−2.6
Condominium	number	Jan.-Mar.	666	......	28.6
Average Price	dollars	Jan.-Mar.	108,846	......	−0.3
OAHU Single Family	number	Jan.-Mar.	398	......	34.5
Average Price	dollars	Jan.-Mar.	181,219	......	−7.2
Condominium	number	Jan.-Mar.	552	......	35.3
Average Price	dollars	Jan.-Mar.	103,422	......	0.8
MAUI CO. Single Family	number	Jan.-Mar.	44	......	−6.4
Average Price	dollars	Jan.-Mar.	151,720	......	−8.6
Condominium	number	Jan.-Mar.	83	......	1.2
Average Price	dollars	Jan.-Mar.	145,711	......	2.5
HAWAII Single Family	number	Jan.-Mar.	59	......	−11.9
Average Price	dollars	Jan.-Mar.	84,064	......	5.4
Condominium	number	Jan.-Mar.	15	......	−25.0
Average Price	dollars	Jan.-Mar.	82,528	......	−22.3
KAUAI Single Family	number	Jan.-Mar.	15	......	−25.0
Average Price	dollars	Jan.-Mar.	135,860	......	9.0
Condominium	number	Jan.-Mar.	16	......	100.0
Average Price	dollars	Jan.-Mar.	129,406	......	15.6
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-Mar.	6,036.5	......	3.7
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Mar.	111.8	......	−11.4
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Mar.	70.8	......	17.8
RETAILING	mil. $	Jan.-Mar.	2,188.4	......	5.2
WHOLESALING	mil. $	Jan.-Mar.	1,529.6	......	3.4
SERVICES	mil. $	Jan.-Mar.	1,471.5	......	11.2
OAHU NEW CAR SALES	number	Jan.-Mar.	9,976p	......	−1.6
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-Mar.	1,676	......	−3.2
GAS SALES	th. therms.	Jan.-Mar.	12,608	......	1.7
TELEPHONE LINES IN SERVICE	thous.	March	460.4	0.1	2.0
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX:					
Wage Earners and Clerical Workers	1967 = 100	April	300.1	.0*	3.8
All Urban Consumers	1967 = 100	April	292.7	.0*	3.4

p = preliminary. **Less than 0.1 percent.*

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qualities that our island state has to offer: a friendly and ethnically diverse population, balmy climate, beautiful surroundings, and abundant opportunities for recreation. In comparison to other comparably-sized cities and states, the crime rate is low, the number of physicians is high, and the ease in escaping from the city to the country is rather unique. These qualities were affirmed in a study last year which named Hawaii as one of the five best regions of the country to live in.

However, the obstacles to retirees locating in Hawaii also continue to be significant. Foremost among these is the high cost of living. Honolulu ranked second of 100 cities in the U.S. in 1984 in the size of household budget required for an intermediate-income family of four. Housing in Hawaii is both scarce and expensive. Honolulu ranked third among 329 metropolitan areas in the country in the average value of a single-family house at $163,400 in 1984. Also, in spite of various deductions and credits for the elderly, Hawaii's tax rates are high. In 1983, Hawaii ranked at the top of all states in terms of direct per-capita tax burdens.

Yet, there are certain trends now at work which make the future for retirement in Hawaii more optimistic.

The most important is the growing proportion of elderly in the population. In 1983, 9 percent of the population, some 89,000 persons, were 65 years of age or older, compared to the U.S. average of 11 percent. However, between 1970 and 1983, the proportion of elderly in Hawaii had jumped by 53 percent, compared to a gain of 19 percent nationally. According to projections by the State Department of Planning and Economic Development (DPED) and the U.S. Bureau of Census, by the year 2000, Hawaii's share of elderly will jump another 48 percent, up to 160,000 persons, while the U.S. proportion will expand by only 12 percent.

Interestingly, it appears that an increasing proportion of this growth in Hawaii's elderly population will come from the aging of local residents. If the number of elderly in the state rises by the amount forecast by the DPED, and there is no substantial increase in the trend rate of in-migration, then the expected gains in this age group will have to come from the aging of the population already here. It would thus seem that a Hawaii retirement industry, if one were to develop, would have to draw as much from the local population as from newly arriving residents.

However, growth rates for the elderly will vary by location. For instance, the

population and income in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1984	1,141.2p	......	2.4
Total Resident Population	thous.	July 1, 1984	1,038.7p	......	2.0
OAHU:					
Total De Facto Population	thous.	July 1, 1984	859.3p	......	1.5
Total Resident Population	thous.	July 1, 1984	805.3p	......	1.6
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1984	114.8p	......	10.6
Total Resident Population	thous.	July 1, 1984	83.1p	......	4.0
HAWAII:					
Total De Facto Population	thous.	July 1, 1984	112.6p	......	1.8
Total Resident Population	thous.	July 1, 1984	106.4p	......	3.4
KAUAI:					
Total De Facto Population	thous.	July 1, 1984	54.4p	......	7.3
Total Resident Population	thous.	July 1, 1984	44.0p	......	2.1
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1984	981.4p	......	1.9
MILITARY PERSONNEL:					
STATE	number	July 1, 1984	60,804	......	3.0
Ashore	number	July 1, 1984	56,321	......	4.8
Afloat	number	July 1, 1984	4,483	......	−14.9
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1984	67,083	......	1.3
FOREIGN IMMIGRATION[1]	number	Jan.-Apr.	1,731	......	−0.3
INCOME					
TOTAL PERSONAL INCOME**	mil. $	4th Qtr., 1984	13,549p	1.2	6.3
EMPLOYMENT INCOME[2]	mil. $	4th Qtr., 1984	9,698p	0.9	4.0
Manufacturing	mil. $	4th Qtr., 1984	437p	0.9	−4.2
Construction & Mining	mil. $	4th Qtr., 1984	430p	−10.2	−21.2
Wholesale	mil. $	4th Qtr., 1984	411p	0.5	5.9
Retail	mil. $	4th Qtr., 1984	1,102p	2.0	4.5
Finance, Ins., & Real Estate	mil. $	4th Qtr., 1984	666p	1.4	2.9
Trans., Comm., & Util.	mil. $	4th Qtr., 1984	865p	1.1	5.6
Services	mil. $	4th Qtr., 1984	2,182p	1.5	7.8
Farm & Other	mil. $	4th Qtr., 1984	307p	0.3	8.5
Federal Civilian	mil. $	4th Qtr., 1984	876p	0.6	3.9
Federal Military	mil. $	4th Qtr., 1984	1,276p	0.6	8.0
State & Local	mil. $	4th Qtr., 1984	1,146p	3.6	5.7
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	4th Qtr., 1984	2,694p	2.3	16.0
TRANSFER PAYMENTS (1,788) minus Personal Contributions for Social Insurance (630)	mil. $	4th Qtr., 1984	1,158	1.9	5.9
PER CAPITA PERSONAL INCOME					
STATE	dollars	1983	12,114p	......	4.5
Oahu	dollars	1982	12,130p	......	5.3
Maui County	dollars	1982	10,458p	......	7.1
Hawaii	dollars	1982	9,148p	......	2.2
Kauai	dollars	1982	9,869p	......	5.8

***Total personal income and all components are seasonally adjusted at annual rates.*

[1] Includes only those entering Honolulu ports and do not include status changes.

[2] Includes wage and salary disbursements, proprietors' income, and other labor income.

p = preliminary.

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elderly are forecast to be the fastest growing age group in the booming West Hawaii area, a large number of whom would likely be higher income retirees from the mainland.

One major factor in the growing inmigration of retirees will be the increasing availability of transportation, telecommunications, and medical care facilities.

With the inception of direct neighbor island flights and increasing competition between airlines due to airline deregulation, spatial mobility can be expected to increase over the years. The development of cheaper long-distance telephone services between Hawaii and the mainland will also reduce the geographic separation from family and friends faced by out-of-state retirees in Hawaii. Improved medical facilities is another important factor. On this score, Hawaii already stands at the top of the nation in average life expectancy, and seventh in the country in terms of the ratio of physicians to population. Already in West Hawaii, major new developments in so-called "life-care" facilities, which combine elderly housing and health-care facilities, are being planned in Kona and Waikoloa. These innovative developments promise to be the forerunners of major developments of this type throughout the islands.

Another important characteristic of a successful retirement center is the ability to provide an environment of quiet and seclusion, yet with potential access to recreational, spectator, and cultural activities. Here again, West Hawaii shows promise in its planned development of world-class sports and athletic-training facilities, in addition to its already established Ironman Triathlon Championships, billfish tournaments, and golf facilities.

One major reason for optimism regarding the prospects for the retirement industry in Hawaii is the rise in incomes of the elderly population nationwide. A recent report by the President's Council of Economic Advisors found that the income of the elderly in the U.S. has risen faster over the past two decades than the income of the non-elderly population. As incomes rise among the nation's elderly, the high costs of living in Hawaii will become less of an obstacle to migration. The result will most likely be an increased flow of out-of-state retirees to Hawaii.

Elderly income in Hawaii has also shown improvement. In 1969, the real median annual income of elderly households in Hawaii was $8,526. This increased to $11,285 in 1979.

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change	
				preceding period	year ago
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	March	477.6p	1.0	0.9
Employment	thous.	March	456.2p	1.0	2.1
Unemployment	thous.	March	21.4p	0.9	−19.9
Unemployment Rate	percent	March	4.5p	0.0	−19.6
OAHU:					
Civilian Labor Force	thous.	March	364.6p	0.9	0.8
Employment	thous.	March	349.8p	0.9	1.9
Unemployment	thous.	March	14.8p	1.4	−19.1
Unemployment Rate	percent	March	4.1p	2.5	−19.6
MAUI COUNTY:					
Civilian Labor Force	thous.	March	44.0p	0.5	0.5
Employment	thous.	March	41.9p	0.7	2.7
Unemployment	thous.	March	2.2p	0.0	−26.7
Unemployment Rate	percent	March	4.8p	−2.0	−30.4
HAWAII:					
Civilian Labor Force	thous.	March	47.0p	1.3	1.3
Employment	thous.	March	43.8p	1.9	2.8
Unemployment	thous.	March	3.2p	−5.9	−15.8
Unemployment Rate	percent	March	6.9p	−5.5	−16.9
KAUAI:					
Civilian Labor Force	thous.	March	22.0p	2.3	1.4
Employment	thous.	March	20.8p	2.0	3.0
Unemployment	thous.	March	1.2p	9.1	−14.3
Unemployment Rate	percent	March	5.3p	3.9	−20.9
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	March	460.6p	0.5	1.5
SUGAR (Mill and Field)	thous.	March	7.6p	0.0	−5.0
PINEAPPLE (Cannery and Field)	thous.	March	3.4p	0.0	9.7
DIVERSIFIED MANUFACTURING (Excluding Sugar and Pineapple)	thous.	March	15.6p	1.3	−4.9
Durable Goods	thous.	March	3.1p	3.3	−3.1
Non-Durable Goods	thous.	March	12.6p	1.6	−3.8
Apparel and Textiles	thous.	March	3.0p	0.0	0.0
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	March	7.0p	2.9	−10.3
CONTRACT CONSTRUCTION	thous.	March	18.4p	2.8	8.9
TRANSPORTATION	thous.	March	22.4p	−0.4	2.8
COMMUNICATION	thous.	March	7.4p	0.0	−1.3
UTILITIES	thous.	March	2.4p	0.0	0.0
RETAIL TRADE	thous.	March	93.4p	0.4	3.3
WHOLESALE TRADE	thous.	March	18.8p	0.0	0.0
FINANCE, INSURANCE AND REAL ESTATE	thous.	March	32.1p	0.3	−0.3
HOTEL SERVICES—STATE	thous.	March	29.4p	0.7	3.5
Oahu	thous.	March	16.2p	0.0	2.5
Maui County	thous.	March	6.7p	−1.5	3.1
Hawaii	thous.	March	4.0p	0.0	5.3
Kauai	thous.	March	2.4p	4.3	9.1
OTHER SERVICES	thous.	March	81.2p	−0.5	1.0
FEDERAL GOVERNMENT	thous.	March	32.4p	0.6	2.5
Civilian Agencies	thous.	March	11.6p	0.0	4.5
Defense Department	thous.	March	20.7p	0.5	1.0
STATE GOVERNMENT	thous.	March	49.7p	1.4	1.2
COUNTY GOVERNMENT	thous.	March	12.6p	0.0	0.0
NON-AGRICULTURE SELF-EMPLOYED	thous.	March	26.2p	0.8	−1.5
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	March	10,625	−10.4	−6.2
INTRASTATE INITIAL CLAIMS	number	Jan.-Mar.	18,810	......	1.1
INTERSTATE INITIAL CLAIMS	number	Jan.-Mar.	1,018	......	−2.7
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Jan.-Mar.	19,501	......	3.6

p = preliminary.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change	
				preceding period	year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	March	59,045	−1.6	−6.0
Payments	thous. $	Jan.-Mar.	24,884	......	−5.1
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	March	55,183	13.0	1.2
Payments	thous. $	Jan.-Mar.	45,461	......	12.7
FOOD STAMPS:					
Recipients[1]	no./persons	March	99,234	−1.4	−0.9
Payments	thous. $	Jan.-Mar.	23,524	......	16.9
SERVICES:					
Recipients[1]	no./cases	1st Qtr.	4,678	−31.8	−32.5
Payments	thous. $	1st Qtr.	3,566	......	−5.8

[1] *Count of recipients is duplicated. A person may be counted in each category.*

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	March	6,689	1.0	9.3
Debits To Demand Deposits	mil. $	Jan.-Mar.	22,673	......	2.7
OAHU:					
Total Deposits	mil. $	March	5,494	1.0	9.0
Debits To Demand Deposits	mil. $	Jan.-Mar.	20,568	......	1.8
MAUI COUNTY:					
Total Deposits	mil. $	March	453.7	1.7	13.9
Debits To Demand Deposits	mil. $	Jan.-Mar.	917.4	......	13.5
HAWAII:					
Total Deposits	mil. $	March	498.4	−0.1	8.7
Debits To Demand Deposits	mil. $	Jan.-Mar.	854.8	......	10.2
KAUAI:					
Total Deposits	mil. $	March	242.4	1.0	8.5
Debits To Demand Deposits	mil. $	Jan.-Mar.	332.9	......	13.2
BANK LOANS OUTSTANDING—STATE	mil. $	1st Qtr.	4,259.4	1.4	10.2
Real Estate	mil. $	1st Qtr.	1,691.7	0.4	2.9
Consumer	mil. $	1st Qtr.	987.0	4.5	16.1
Commercial & Industrial	mil. $	1st Qtr.	1,275.3	3.0	19.7
Other	mil. $	1st Qtr.	305.3	−8.8	−0.4
CONVENTIONAL HOME MORTGAGE RATES: HONOLULU	percent	April	12.8p	3.2	−0.8
SAVINGS & LOAN ASSOCIATIONS:					
TOTAL DEPOSITS	mil. $	March	3,937.8	2.0	3.1
LOANS	mil. $	March	42.2	−17.6	8.8
Residential	mil. $	March	24.3	−5.8	33.5
Other	mil. $	March	17.9	−28.1	−13.1
TAX COLLECTIONS:[2]					
STATE	thous. $	Jan.-Mar.	346,786	......	6.3
Oahu	thous. $	Jan.-Mar.	299,758	......	5.2
Maui County	thous. $	Jan.-Mar.	20,607	......	15.3
Hawaii	thous. $	Jan.-Mar.	18,888	......	10.9
Kauai	thous. $	Jan.-Mar.	7,531	......	17.3

[1] *Includes data for both Hawaii and Guam.*

[2] *Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.*

However, it could also be argued that a retirement industry already exists in Hawaii based on the 3,582 housing units presently available exclusively for the elderly. Thirty-nine percent of these units are publicly-managed rental units and 42 percent private. The remainder are composed of four private, independent retirement residences. Three are on Oahu: Arcadia Retirement Residence, Laniolu Good Samaritan Center, and Pohai Nani Good Samaritan Kauhale. The fourth, Sun Village on Kauai, is the only independently financed facility on the Neighbor Islands.

Twenty years ago, proponents of a Hawaii retirement industry based their case on an expanding elderly population that appeared to be also gaining in income. So far, these trends have resulted in only modest advances in attracting retirees from out-of-state. Potential new entrants into the retirement business should therefore proceed with caution. In time, however, retirement-related enterprises may yet find rewarding opportunities in serving Hawaii's expanding elderly population.

The State of North Carolina offers a striking example of how the inception of a retirement industry has started to yield big dividends. In 1975, it ranked only 17th place as a destination for elderly in-migrants. In 1980, its ranking jumped to seventh place, and today it is the nation's fastest growing retirement state. While hard data on the economic stimulus contributed by the retirement industry is not available, between 1970 and 1980, North Carolina saw a boost in total retirement incomes from $819 million to $3.7 billion. This represents an expansion in the retirement income share of personal income from 5 percent to 8 percent. In addition to the cash and jobs generated by the new elderly residents, observers also point out that retirees, who are often persons of higher income and education, provide a growing new market for local arts and cultural activities, as well as contribute an important source of volunteer labor in local cultural organizations and community agencies.

In the long run, Hawaii is bound to grow as a haven for the world's increasingly affluent retirees. The visitor industry will play an important role in this development by providing more opportunities for the elderly to enjoy our island way of life firsthand, and envision making such a lifestyle their own. With all that such prospective new members of the community have to offer, the encouragement and expansion of Hawaii's retirement industry deserves serious consideration.

ECONOMIC INDICATORS

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by the Research Department, First Hawaiian Bank

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Prospects for Job Creation in Hawaii to 1990

Perhaps the most fundamental question affecting the Hawaiian economy in the years ahead will be its ability to produce new jobs. Between 1970 and 1980, the total number of new jobs in the economy grew by roughly 10,000 per year resulting in an average annual growth rate of 3 percent. After 1980, however, the number of new jobs fell to a low of 2,000 jobs per year for an annual growth rate of less than one percent. Will this trend continue into the future?

Evidence indicates otherwise. The slowdown in job growth was principally due to the recession of 1980-1982. Job growth turned negative in 1982, but increased by 2 and 1 percent in 1983 and 1984, respectively. This suggests that the Hawaiian economy is on a long-term secular upturn, in line with the national economy.

The Department of Labor and Industrial Relations and the Department of Planning and Economic Development publish projections of future state economic trends. Looking at nonagricultural wage and salary jobs, the Department of Labor projects 479,100 jobs by 1990, while the Department of Planning projects a slightly lower 467,800 jobs by 1990. As of 1984, there were 412,450 nonagricultural wage and salary jobs in the economy. In order to reach either forecast, the number of jobs would have to grow by between 9,000 to 11,000 jobs a year or 2 to 3 percent annually between 1985 and 1990. Is this possible? Evidence indicates that it may be, although for different reasons than given in the two projections.

Both projections assume no improvement in economic development policies in the next five years. However, given expected changes in Hawaii's political and regulatory environment between 1985 and 1990, the likelihood of an improvement in the business climate is high. This would benefit emerging industries such as high-tech and diversified agricultural activities.

Both projections assume strong growth in tourism, and tourism-related activities such as trade, transportation, and services. Agriculture, manufacturing, and construction are assumed to be static, if not declining in the years ahead, due to the decline of sugar and pineapple, its effect on food processing jobs in the manufacturing sector, and the end of the construction boom of the seventies.

However, the construction industry could make a significant contribution to job growth. As a result of the expansion of tourism on the neighbor islands, major resort developments will be completed in the coming five years. As discussed in the May/June issue of *Economic Indicators*, major hotel, condominium, housing, and industrial development projects in West Hawaii on the Big Island are expected to exceed $1.4 billion by 1990. Development of the Maui Surf Hotel and other hotels are expected to generate over $225 million in investments on Maui. Kauai may see close to $200 million in investments associated with the upgrading of the Kauai Surf as well as other large-scale development projects.

The lion's share of development, however, will occur on Oahu. The major focus of development will be the Kakaako Community Development District. Four major projects, One Waterfront Plaza, Pacific Park Plaza, 404 Piikoi, and the Queen Kapiolani Multi-Use Community will generate nearly a billion dollars in new investment. Other large commercial projects in the downtown area are expected to yield an additional estimated $400 million in investment before 1990. The West Beach, Ewa Marina Community, and Kawela Bay developments, as well as a number of large Honolulu condominium projects can be expected to generate over $2 billion in investment. State capital-improvement projects scheduled for fiscal years 1986 and 1987 have been estimated at $586 million.

Total investments resulting from these projects alone could reach $6.6 billion by 1990. Using state construction-industry multipliers, that could result in a total of $13.2 billion in construction-related output and $9.9 billion in household income between 1985 and 1990. More importantly, the associated annual rate of job growth would be 17,500 jobs per year. While not all jobs created would be new jobs, it is clear that construction investment could place Hawaii's job totals well within range of both the Department of Labor and Department of Planning projections.

Several key points emerge from this analysis. First, while the effects of overdependence on tourism on Hawaii over the years have been questionable, the potentially bright prospects for construction, manufacturing, and diversified agriculture bode well for the improvement of wages and working conditions in Hawaii. Second, for these developments to occur, it is essential that state and county governments provide their full support for job creation in Hawaii. The efforts of our last state legislature have shown a willingness to accept the challenge of building Hawaii's economic future. We can hope that these efforts will increase over the years.

Overall, prospects for job creation look better than they have in the past. However, it is now more true than ever that a positive relationship between government and business is absolutely crucial to fulfilling the goals of economic growth, strength, and stability in the years ahead. Only by committing ourselves to work as a community to achieve these important goals can we insure a future for our children in Hawaii.

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JULY/AUGUST FEATURE STORY: HAWAII'S EMERGING INDUSTRIES

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CURRENT BUSINESS TRENDS

The impact of the United Airlines pilot strike was all too evident in June's visitor data. The Hawaii Visitors Bureau (HVB) estimated that 368,070 tourists came here in June; that represented a 15 percent drop when compared to June of 1984.

Strike-related losses during May and June brought the cumulative visitor figure for the first half of 1985 to 2,427,610, a 0.3 percent decrease when compared to the first half of 1984.

Westbound visitors (from the Mainland, Canada, and Europe) totaled 263,910, a 20 percent drop when compared to the previous year. Relatively unaffected by the strike, eastbound visitors (from the Orient and Oceania) totaled 104,160, a 1.5 percent over-the-year gain.

Since the Neighbor Islands are more dependent on the United flights than Oahu, they suffered larger losses. The number of westbound travelers to Oahu was 213,970, a 20 percent loss between June of 1984 and 1985. On the Big Island, the visitor count dropped 34 percent, Kauai's fell 26 percent, and Maui's was down 25 percent.

While the June data showed drastic decreases, preliminary indications are that a strong rebound started in July. According to the HVB, during the first ten days of July, the visitor count increased by 12 percent over the previous year. Extensive marketing campaigns, and discounts appeared to have stimulated the recovery. Judging from advanced bookings, industry leaders say that July, August, and probably the remainder of 1985 look good for tourism. However, they also are doubtful that the gains will be strong enough to make up for the losses suffered during the one-month strike.

Labor force data showed the usual seasonal increases during May. Hawaii's jobless ratio remained an impressive two percentage points below the

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	2nd Qtr.	3,870	1.5	6.2
In 1972 Dollars	bil. $	2nd Qtr.	1,676	0.7	2.3
PERSONAL INCOME**	bil. $	May	3,172p	−0.5	6.5
INTEREST RATES					
AVERAGE PRIME RATE	percent	June	9.78	−5.1	−22.4
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	April	325.7p	1.0	5.5
CONSTRUCTION COST INDEXES:					
Residences	1967=100	March	365.0	0.2[a]	3.5
Apts, Hotels, Office Bldgs	1967=100	March	364.6	0.1[a]	2.2
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	May	106,960	.0	1.7
UNEMPLOYMENT*	thous.	May	8,413	−0.2	−1.7
UNEMPLOYMENT RATE*	percent	May	7.3	0.0	−2.7
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967=100	June	318.7	0.3	4.1
All Urban Consumers	1967=100	June	322.3	0.3	3.7
PRODUCER PRICE INDEXES:					
Finished Goods*	1967=100	May	294.2p	0.2	1.0
All Commodities	1967=100	April	309.3p	0.2	−0.6

p=preliminary.
[a]Compared to January, 1985.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

business activity in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
TOURISM					
VISITOR EXPENDITURES	mil. $	1984	4,582p	......	15.3
OVERNIGHT OR LONGER VISITORS	number	June	368,070p	3.1	−15.3
	number	Jan.-June	2,427,610p	......	0.1
Westbound	number	June	263,910p	1.3	−20.5
	number	Jan.-June	1,856,210p	......	−1.1
Eastbound	number	June	104,160p	8.0	1.5
	number	Jan.-June	571,400p	......	4.3
AVERAGE DAILY VISITOR CENSUS	number	Jan.-June	104,970p	......	−4.0
AVERAGE LENGTH OF STAY	no. of days	Jan.-June	10.3p	......	−2.8
MEETING ATTENDANCE	number	Jan.-May	119,252	......	3.6
ORGANIZED GROUP TOURS	number	Jan.-June	446,590p	......	−2.5
VISITOR COUNT BY COUNTY[a]					
Oahu	number	June	213,970p	7.5	−20.5
	number	Jan.-June	1,396,130p	......	−3.6
Maui County	number	June	125,460p	−2.4	−25.4
	number	Jan.-June	938,730p	......	−1.6
Hawaii	number	June	45,620p	3.6	−33.8
	number	Jan.-June	352,580p	......	−10.5
Kauai	number	June	57,230p	−4.9	−26.2
	number	Jan.-June	410,570p	......	0.7
VISITOR ACCOMMODATIONS:					
STATE	number	February	65,919	2.1[b]	5.6
Oahu	number	February	38,600	0.6[b]	4.8
Waikiki	number	February	33,879	0.7[b]	5.1
Maui (Island)	number	February	13,515	4.3[b]	8.1
Molokai	number	February	627	−0.9[b]	0.0
Lanai	number	February	10	100.0[b]	−16.7
Hawaii	number	February	7,511	8.2[b]	5.1
Kauai	number	February	5,656	−0.7[b]	6.5
HOTEL OCCUPANCY:					
STATE	percent	May	67.6p	−8.3	−6.4
		Jan.-May	80.9p	......	1.3
Oahu	percent	May	70.5p	−6.1	−7.2
		Jan.-May	84.4p	......	−1.5
Maui (Island)	percent	May	76.7p	−8.3	−5.8
		Jan.-May	85.9p	......	0.0
Hawaii	percent	May	46.3p	−17.9	−7.0
		Jan.-May	64.1p	......	10.3
Kauai	percent	May	59.0p	−11.0	−5.8
		Jan.-May	71.7p	......	10.3

p=preliminary. [a]Estimated Westbound. [b]Compared to October, 1984.

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	1st Qtr., 1985	485.1	—	0.4
Military Payroll	mil. $	1st Qtr., 1985	217.2	—	6.1
Civilian Payroll	mil. $	1st Qtr., 1985	141.2	—	2.8
Local Purchases	mil. $	1st Qtr., 1985	126.7	—	−10.1
SUGAR					
VALUE OF CROP SALES (Unprocessed Cane)	thous. $	1984	256,200	—	−4.0
SUGAR PRODUCTION	thous. tons	Jan.-May	290.7	—	−20.0
N. Y. RAW SUGAR PRICE	$/ton	Jan.-May	416.40	—	−4.9
PINEAPPLE					
VALUE OF CROP SALES (Fresh Equivalent)	thous. $	1984	89,900	—	−10.4
SHIPMENTS: CANNED[a]	thous. $	Jan.-May	56,386	—	−33.8
FRESH	thous. lbs.	Jan.-May	107,175	—	−2.0
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1984	120,800	—	7.3
FLOWERS & NURSERY PRODUCTS	thous. $	1984	42,905	—	18.6
Anthurium Outshipments[b]	th. dozens	Jan.-May	548.2	—	−20.6
Potted Foliage Plants	thous. $	1984	14,050	—	29.7
FRUITS & NUTS	thous. $	1984	39,403	—	2.3
Papaya Sales	th. lbs.	Jan.-May	20,719	—	−27.9
Average Farm Price	cents/lb.	May	26.0	30.0	65.6
Macadamia Nut Sales (in shell)	th. lbs.	1984	37,700	—	3.5
Average Farm Price	cents/lb.	1984	69.2	—	5.3
VEGETABLES AND MELONS[c]	th. lbs.	Jan.-May	27,145	—	−8.5
LIVESTOCK	thous. $	1984	87,000	—	0.6
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Apr.	10,304	—	−1.2
Average Farm Price (Feedlot Beef)	cents/lb.	April	87.5	−0.6	−12.1
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-May	2,569	—	3.2
Average Farm Price	cents/lb.	May	101.0	−2.9	−2.4
MILK PRODUCTION	mil. lbs.	Jan.-May	60.5	—	−6.6
Average Price Sold to Plants	$/100 lbs.	May	20.26	0.2	3.5
EGG PRODUCTION	mil.	Jan.-May	89.7	—	2.6
Average Farm Price	cents/doz.	May	80.0	−5.9	−17.1
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-May	488.2	—	−15.4
PRIVATE PERMITS AUTHORIZED					
STATE:					
RESIDENTIAL	thous. $	Jan.-Feb.	79,382	—	28.7
Single Family Units	number	Jan.-Feb.	499	—	−34.5
Multiple Family Units	number	Jan.-Feb.	389	—	1,668.2
NONRESIDENTIAL	thous. $	Jan.-Feb.	36,951	—	−16.0
OAHU:					
RESIDENTIAL	thous. $	Jan.-May	128,904	—	26.3
Single Family Units	number	Jan.-May	776	—	−21.9
Multiple Family Units	number	Jan.-May	1,109	—	153.2
NONRESIDENTIAL	thous. $	Jan.-May	47,793	—	−16.8
MAUI CO.:					
RESIDENTIAL	thous. $	Jan.-Feb.	7,028	—	−14.0
Single Family Units	number	Jan.-Feb.	80	—	−30.4
Multiple Family Units	number	Jan.-Feb.	11	—	100.0
NONRESIDENTIAL	thous. $	Jan.-Feb.	2,849	—	−38.0
HAWAII:					
RESIDENTIAL	thous. $	Jan.-May	44,597	—	111.3
Single Family Units	number	Jan.-May	402	—	7.8
Multiple Family Units	number	Jan.-May	134	—	737.5
NONRESIDENTIAL	thous. $	Jan.-May	15,456	—	10.2
KAUAI:					
RESIDENTIAL	thous. $	Jan.-May	17,933	—	−1.7
Single Family Units	number	Jan.-May	151	—	19.8
Multiple Family Units	number	Jan.-May	44	—	25.7
NONRESIDENTIAL	thous. $	Jan.-May	5,038	—	20.7

[a] *Gross taxable income valued at time of shipment.*
[b] *From Hawaii County.*
[c] *Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.*

national average, holding at 5.0 percent in May, compared to 7.0 percent for the nation. The May figure also represented a healthy one-half of a percentage point reduction when compared to the previous year. Over the year, unemployment dropped from 5.5 percent in May, 1984, to 5.0 percent in May, 1985.

The total job count for the State showed an impressive 1,200 gain between April and May. However, the Department of Labor survey is conducted during the week including the 12th of the month, and the United Airlines pilot strike did not start until the 16th. Its impact was not reflected in May's data.

One important gain that should be noted in May's labor picture was the addition of 600 construction jobs. With the settlement of the ironworker's strike, the construction job count jumped to 18,500 during May. This was the highest monthly average for the industry in over three years.

Pineapple jobs also benefitted from the resolution of a labor dispute during May. Dole rehired intermittent processing plant workers who had previously been laid off during the three month strike.

Hotels showed a 500-job decline. However, the over-the-month loss reflects the usual seasonal lull before the summer rush.

All of the gains were not merely seasonal in nature. When looking at over-the-year comparisons, there were 1,800 jobs added to the Hawaiian economy between May of 1984 and 1985. This represents a 0.4 percent growth rate. The two areas showing the largest gains were construction (+1,400) and government (+1,600) jobs.

Some sectors of the real estate market showed strong improvements. While the sale of new units was still in the doldrums, the resale of existing units improved substantially.

On Oahu, for the January to May period, single-family home resales were 13 percent ahead of the same period in 1984, and condominium resales were up by 19 percent for the same time span. In general, this was true for all islands.

There were two major short-term factors contributing to the improved market. First, mortgage rates have been inching downward for several months. And second, prices have been dropping. Statewide, for the January to May period, average resale prices were 3 percent lower than in the previous year. These factors, combined with the general long-term increases in household income and in population, substantially increase the number of families that qualify to buy homes.

According to Mike Sklarz, Research

Director for Locations Inc., housing affordability has increased on Oahu. Given the lower prices, lower interest rates, and higher family income, the average family now has 86 percent of the income necessary to buy the average residence. This is a dramatic improvement from 1981 when the index was less than 40 percent.

HAWAII'S EMERGING INDUSTRIES

In today's intense struggle to find ways of broadening the state's economic base, the search for promising growth industries has become a matter of increasing concern. In this issue, we take a closer look at Hawaii's newly emerging industries, those other than the traditional mainstays of tourism, defense, sugarcane, and pineapple. To organize this discussion, they are grouped into the growing and harvesting industries, the manufacturing and investment industries, other new industries, and the public sector.

Growing and Harvesting

In this category are the businesses which grow, harvest, or catch food or other farm products. The biggest of these is diversified agriculture, which represents livestock and crop sales exclusive of sugarcane and pineapple production. With total farm sales of $208 million in 1984, diversified agriculture is more than double the size of the pineapple industry's farm sales, but is three-fourths the size of sugar.

The major crops in diversified agriculture as of 1984 are macadamia nuts ($26 million), potted foliage plants ($14 million), papayas ($19 million), and anthuriums ($7 million).

Macadamia nuts recorded an annual growth rate of 25 percent from 1974 to 1984. Flowers and nursery products, which include potted foliage plants, anthuriums, and other plants, achieved an annual sales growth rate of 19 percent over the same period, reaching $43 million in 1984.

The aquaculture industry has been widely heralded as a boom industry. Since 1976, aquaculture has grown by 47 percent annually in sales, and by 31 percent in employment. However, 1983 saw a nearly 40 percent drop in sales due in large part to the closing of Amfac's Kauai prawn farm, and Taylor A. "Tap" Pryor's Kahuku oyster farm. However, the industry picked up in 1984, and is expected to increase to $5 million in 1985.

Commercial fishing recorded strong gains from 1975 to 1979. These were later offset by difficult years, resulting

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change	
				preceding period	year ago
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS:					
STATE	thous. $	Jan.-June	112,853	......	−33.1
Oahu	thous. $	Jan.-June	66,506	......	−43.6
Maui County	thous. $	Jan.-June	21,462	......	84.2
Hawaii	thous. $	Jan.-June	8,316	......	−25.6
Kauai	thous. $	Jan.-June	7,516	......	−73.1
BY LEVEL OF GOVERNMENT:					
Federal	thous. $	Jan.-June	23,562	......	−43.7
State	thous. $	Jan.-June	35,615	......	−63.1
County	thous. $	Jan.-June	47,833	......	57.5
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	June	355.9	0.1	2.4
HIGH-RISE	1967 = 100	June	372.4	0.2	1.4
REAL ESTATE					
NEW SALES					
OAHU: Single Family	number	Jan.-May	653	......	−5.1
Condominium	number	Jan.-May	810	......	−16.1
RESALES					
STATE: Single Family	number	Jan.-May	957	......	10.8
Average Price	dollars	Jan.-May	165,324	......	−3.1
Condominium	number	Jan.-May	1,288	......	16.1
Average Price	dollars	Jan.-May	103,999	......	−2.9
OAHU: Single Family	number	Jan.-May	702	......	13.0
Average Price	dollars	Jan.-May	180,874	......	−5.6
Condominium	number	Jan.-May	1,044	......	18.8
Average Price	dollars	Jan.-May	98,526	......	−1.9
MAUI CO.: Single Family	number	Jan.-May	102	......	18.6
Average Price	dollars	Jan.-May	153,333	......	−0.8
Condominium	number	Jan.-May	169	......	−2.3
Average Price	dollars	Jan.-May	137,292	......	−2.9
HAWAII: Single Family	number	Jan.-May	130	......	4.0
Average Price	dollars	Jan.-May	92,896	......	9.2
Condominium	number	Jan.-May	43	......	10.3
Average Price	dollars	Jan.-May	90,539	......	−2.9
KAUAI: Single Family	number	Jan.-May	23	......	−28.1
Average Price	dollars	Jan.-May	153,235	......	7.5
Condominium	number	Jan.-May	32	......	77.8
Average Price	dollars	Jan.-May	124,781	......	−6.9
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-May	10,248.8	......	0.9
DIVERSIFIED MANUFACTURING	mil. $	Jan.-May	205.5	......	−12.5
DIVERSIFIED AGRICULTURE	mil. $	Jan.-May	110.9	......	8.8
RETAILING	mil. $	Jan.-May	3,691.7	......	2.1
WHOLESALING	mil. $	Jan.-May	2,623.1	......	2.0
SERVICES	mil. $	Jan.-May	2,497.9	......	6.2
OAHU NEW CAR SALES	number	Jan.-May	16,029p	......	−10.4
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-May	2,815	......	−2.5
GAS SALES	th. therms.	Jan.-May	20,917	......	1.5
TELEPHONE LINES IN SERVICE	thous.	May	459.4	−0.2	1.5
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX:					
Wage Earners and Clerical Workers	1967 = 100	June	300.4	0.1	3.3
All Urban Consumers	1967 = 100	June	293.5	0.1	3.1

p = *preliminary.*

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population and income in hawaii

Series	Unit	Period	Number	Percent Change	
				preceding period	year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1984	1,141.2p	......	2.4
Total Resident Population	thous.	July 1, 1984	1,038.7p	......	2.0
OAHU:					
Total De Facto Population	thous.	July 1, 1984	859.3p	......	1.5
Total Resident Population	thous.	July 1, 1984	805.3p	......	1.6
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1984	114.8p	......	10.6
Total Resident Population	thous.	July 1, 1984	83.1p	......	4.0
HAWAII:					
Total De Facto Population	thous.	July 1, 1984	112.6p	......	1.8
Total Resident Population	thous.	July 1, 1984	106.4p	......	3.4
KAUAI:					
Total De Facto Population	thous.	July 1, 1984	54.4p	......	7.3
Total Resident Population	thous.	July 1, 1984	44.0p	......	2.1
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1984	981.4p	......	1.9
MILITARY PERSONNEL:					
STATE	number	July 1, 1984	60,804	......	3.0
Ashore	number	July 1, 1984	56,321	......	4.8
Afloat	number	July 1, 1984	4,483	......	−14.9
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1984	67,083	......	1.3
FOREIGN IMMIGRATION[1]	number	Jan.-June	2,872	......	12.2
INCOME					
TOTAL PERSONAL INCOME**	mil. $	4th Qtr., 1984	13,549p	1.2	6.3
EMPLOYMENT INCOME[2]	mil. $	4th Qtr., 1984	9,698p	0.9	4.0
Manufacturing	mil. $	4th Qtr., 1984	437p	0.9	−4.2
Construction & Mining	mil. $	4th Qtr., 1984	430p	−10.2	−21.2
Wholesale	mil. $	4th Qtr., 1984	411p	0.5	5.9
Retail	mil. $	4th Qtr., 1984	1,102p	2.0	4.5
Finance, Ins., & Real Estate	mil. $	4th Qtr., 1984	666p	1.4	2.9
Trans., Comm., & Util.	mil. $	4th Qtr., 1984	865p	1.1	5.6
Services	mil. $	4th Qtr., 1984	2,182p	1.5	7.8
Farm & Other	mil. $	4th Qtr., 1984	307p	0.3	8.5
Federal Civilian	mil. $	4th Qtr., 1984	876p	0.6	3.9
Federal Military	mil. $	4th Qtr., 1984	1,276p	0.6	8.0
State & Local	mil. $	4th Qtr., 1984	1,146p	3.6	5.7
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	4th Qtr., 1984	2,694p	2.3	16.0
TRANSFER PAYMENTS (1,788) minus Personal Contributions for Social Insurance (630)	mil. $	4th Qtr., 1984	1,158p	1.9	5.9
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1983	12,115p	......	4.5
Oahu	dollars	1983	12,697p	......	4.9
Maui County	dollars	1983	10,963p	......	3.4
Hawaii	dollars	1983	9,396p	......	3.1
Kauai	dollars	1983	9,867p	......	2.7

***Total personal income and all components are seasonally adjusted at annual rates.*

[1] Includes only those entering Honolulu ports and do not include status changes.

[2] Includes wage and salary disbursements, proprietors' income, and other labor income.

p = preliminary.

in a modest 7 percent annual rate of growth. The industry's present outlook appears uncertain. The closing of Hawaiian Tuna Packers' cannery at Kewalo Basin in October of last year idled 350 employees and at least temporarily closed a major market for aku fishers. Similarly, layoffs and reorganization of the Hawaiian Shrimp Company's deep sea shrimp operations have dampened enthusiasm for what was a much publicized new area. Furthermore, while efforts continue to attract West Coast fishers, including purse-seining tuna fleets, and promote their use of Hawaii's ports, concern has now surfaced concerning the impact those fleets might have on Hawaii's local fishermen. Nevertheless, a Maui County project to raise baitfish for commercial fishers signals continued development of the industry.

Manufacturing and Investment

Not counting sugarcane and pineapple processing, diversified manufacturing includes things such as garment makers, noodle factories, concrete producers, and bakeries. Statistics show that the industry enjoyed boom years in 1975 and 1979, when annual sales increases exceeded 14 percent. This was balanced by a big loss in recessionary 1982 when sales fell nearly 16 percent. Overall, diversified manufacturing sales grew annually by only 4 percent from 1974 to 1984.

A related activity is local petroleum refining, which is composed of sales by Pacific Resources, Inc., and by Chevron of Hawaii at their Campbell Industrial Park refineries. These refining enterprises generated about $1.1 billion in total sales of refined products in 1984, substantially down from a peak of $1.7 billion achieved in 1980. This reflects the recent softening of the petroleum product market worldwide.

Although not typically considered an industry, foreign investments represent an infusion of out-of-state capital, providing an economic stimulus that spurs capital investment and job creation. Over the past ten years, foreign investment has gone through enormous swings, with a record high of 525 percent growth experienced in 1982, and a low of minus 84 percent in 1974. The primary force behind the boom years has been Japan, which supplied 68 percent of the foreign investments made. This extraordinary past record of growth in Hawaii's foreign investments is not likely to be repeated in the near future. Nevertheless, with new investments of $100 million to $600 million per year since 1980, foreign investments must be acknowledged as a powerful

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force in shaping the state's economic future.

Other New Industries

The motion picture industry in Hawaii is another emerging industry. At $38 million in expenditures recorded for 1984, filmmaking rivals flower and nursery product sales in size, and outstrips them in annual rates of growth. Since 1976, the average annual increase in the film industry's direct expenditures exceeded 25 percent, with average annual job growth at 15 percent.

The film industry has also drawn substantial support from government. In 1983, a $10 million special revenue-bond issue was authorized by the legislature to construct film and sound studios in Pearl City, and last year, the legislature authorized the State Film Office to expedite permit procedures for filmmakers. Furthermore, the Neighbor Islands have begun their own efforts to attract motion picture business through the establishment of the Kauai Film Industry Advisory Council and the Hawaii Island Film Industry Committee. The economic development boards of Maui and Oahu have also begun efforts to support filmmaking on their islands.

Hawaii enjoys a small but healthy high technology or "high-tech" industrial sector in terms of electronics, communications, and business technology. It was recently estimated that 142 high-tech firms in Hawaii generated $200 million in annual sales. Other areas related to high-tech include such spotlighted activities as astronomy, alternate energy, marine science, and the developmental aspects of diversified agriculture and aquaculture.

The state's principal astronomical research facility on the summit of Mauna Kea is estimated to bring $8 million into the state annually and employ 95 people. Five new telescopes are now under construction or are being planned, which are expected to bring 31 additional high-tech jobs to Hawaii upon completion.

Regarding alternative energy, the Department of Planning and Economic Development estimates that funding for alternative energy research projects topped $67 million over a ten-year span.

Another area is spending for research and development in Hawaii's universities and colleges. Since 1974, expenditures have grown steadily by nearly 10 percent per year, bringing this sector's expenditures to over $43 million, exceeding the size of both the film industry and sales of flowers and nursery products. Because of its link to high technology industries, trends in university-based research are worth

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	May	483.9p	1.5	1.3
Employment	thous.	May	459.7p	1.2	1.7
Unemployment	thous.	May	24.2p	7.1	−7.3
Unemployment Rate	percent	May	5.0p	6.4	−9.1
OAHU:					
Civilian Labor Force	thous.	May	368.9p	1.4	1.1
Employment	thous.	May	352.1p	1.1	1.6
Unemployment	thous.	May	16.9p	8.3	−7.7
Unemployment Rate	percent	May	4.6p	7.0	−8.0
MAUI COUNTY:					
Civilian Labor Force	thous.	May	45.0p	2.0	2.3
Employment	thous.	May	42.7p	1.9	2.9
Unemployment	thous.	May	2.3p	4.5	−8.0
Unemployment Rate	percent	May	5.0p	2.0	−12.3
HAWAII:					
Civilian Labor Force	thous.	May	47.9p	1.9	1.9
Employment	thous.	May	44.1p	1.4	2.1
Unemployment	thous.	May	3.8p	5.6	0.0
Unemployment Rate	percent	May	8.0p	6.7	−1.2
KAUAI:					
Civilian Labor Force	thous.	May	22.2p	0.9	0.5
Employment	thous.	May	20.9p	1.0	1.0
Unemployment	thous.	May	1.2p	0.0	−20.0
Unemployment Rate	percent	May	6.0p	5.3	−9.1
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	May	460.9p	0.3	0.4
SUGAR (Mill and Field)	thous.	May	7.5p	0.0	−7.4
PINEAPPLE (Cannery and Field)	thous.	May	4.1p	7.9	0.0
DIVERSIFIED MANUFACTURING (Excluding Sugar and Pineapple)	thous.	May	15.5p	−0.6	−1.9
Durable Goods	thous.	May	2.9p	0.0	−14.7
Non-Durable Goods	thous.	May	12.6p	−0.8	0.8
Apparel and Textiles	thous.	May	3.1p	3.3	3.3
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	May	7.2p	5.9	−10.0
CONTRACT CONSTRUCTION	thous.	May	18.6p	3.3	8.1
TRANSPORTATION	thous.	May	22.5p	−0.9	0.9
COMMUNICATION	thous.	May	7.4p	−1.3	−2.6
UTILITIES	thous.	May	2.5p	0.0	0.0
RETAIL TRADE	thous.	May	93.6p	0.4	1.6
WHOLESALE TRADE	thous.	May	19.0p	1.1	−0.5
FINANCE, INSURANCE AND REAL ESTATE	thous.	May	32.3p	0.3	1.3
HOTEL SERVICES—STATE	thous.	May	28.9p	−1.4	0.0
Oahu	thous.	May	16.0p	−1.8	0.0
Maui County	thous.	May	6.7p	0.0	1.5
Hawaii	thous.	May	3.9p	−2.5	−2.5
Kauai	thous.	May	2.3p	−4.2	4.5
OTHER SERVICES	thous.	May	81.3p	0.1	0.1
FEDERAL GOVERNMENT	thous.	May	32.6p	0.3	2.2
Civilian Agencies	thous.	May	11.7p	0.0	4.5
Defense Department	thous.	May	20.9p	0.5	1.0
STATE GOVERNMENT	thous.	May	49.7p	0.6	1.8
COUNTY GOVERNMENT	thous.	May	12.6p	−0.8	−0.8
NON-AGRICULTURE SELF-EMPLOYED	thous.	May	25.8p	−1.1	−5.8
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	May	9,778	−19.1	−12.2
INTRASTATE INITIAL CLAIMS	number	Jan.-May	31,123	......	3.1
INTERSTATE INITIAL CLAIMS	number	Jan.-May	1,498	......	−10.4
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Jan.-May	30,877	......	−0.7

p = preliminary.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change	
				preceding period	year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	May	59,042	−0.2	−4.6
Payments	thous. $	Jan.-May	41,195	......	−4.9
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	May	51,663	6.2	6.8
Payments	thous. $	Jan.-May	74,803	......	14.9
FOOD STAMPS:					
Recipients[1]	no./persons	April	99,031	−0.2	−0.8
Payments	thous. $	Jan.-Apr.	31,269	......	17.0
SERVICES:					
Recipients[1]	no./cases	1st Qtr.	4,678	−31.8	−32.5
Payments	thous. $	1st Qtr.	3,566	......	−5.8

[1] *Count of recipients is duplicated. A person may be counted in each category.*

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	May	6,737.2	0.2	6.4
Debits To Demand Deposits	mil. $	Jan.-May	38,775.6	......	3.6
OAHU:					
Total Deposits	mil. $	May	5,550.7	0.3	6.1
Debits To Demand Deposits	mil. $	Jan.-May	35,159.4	......	2.7
MAUI COUNTY:					
Total Deposits	mil. $	May	445.3	−0.9	7.5
Debits To Demand Deposits	mil. $	Jan.-May	1,568.9	......	13.9
HAWAII:					
Total Deposits	mil. $	May	497.9	0.0	7.9
Debits To Demand Deposits	mil. $	Jan.-May	1,468.6	......	12.6
KAUAI:					
Total Deposits	mil. $	May	243.2	0.7	7.9
Debits To Demand Deposits	mil. $	Jan.-May	578.8	......	12.6
BANK LOANS OUTSTANDING—STATE:	mil. $	1st Qtr.	4,259.4	1.4	10.2
Real Estate	mil. $	1st Qtr.	1,691.7	0.4	2.9
Consumer	mil. $	1st Qtr.	987.0	4.5	16.1
Commercial & Industrial	mil. $	1st Qtr.	1,275.3	3.0	19.7
Other	mil. $	1st Qtr.	305.3	−8.8	−0.4
CONVENTIONAL HOME MORTGAGE RATES: HONOLULU	percent	May	12.9p	0.8	2.4
SAVINGS & LOAN ASSOCIATIONS:[1]					
TOTAL DEPOSITS	mil. $	April	3,619.5	0.6	−4.5
LOANS	mil. $	April	69.2	37.6	0.6
Residential	mil. $	April	44.5	58.4	105.1
Other	mil. $	April	24.7	11.3	−47.7
TAX COLLECTIONS:[2]					
STATE	thous. $	Jan.-May	606,700	......	7.0
Oahu	thous. $	Jan.-May	523,260	......	5.3
Maui County	thous. $	Jan.-May	36,973	......	22.4
Hawaii	thous. $	Jan.-May	33,462	......	14.4
Kauai	thous. $	Jan.-May	13,002	......	20.3

[1] *Includes data for both Hawaii and Guam.*

[2] *Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.*

watching as an indicator of growth in these industries.

The Public Sector

The commanding presence of government in Hawaii is manifest in several ways. In 1983, Hawaii ranked highest in the nation in the state's per-capita tax burden. Other figures show that the state ranks second nationwide in federal expenditures per capita, and fourth nationwide in state and local tax revenues per capita. This picture is supported by statistics on the public sector as a whole. Excluding federal defense expenditures, the combined spending by civilian federal agencies and by state and county governments in Hawaii grew from $1.7 billion in 1974 to $4.7 billion in 1984, surpassing expenditures in the visitor industry. Not only is this amount of spending large, but the rate of growth in government spending over the period has been rapid, averaging 11 percent a year.

This expansion reflects growth in different public programs. The majority of nondefense federal expenditures represent transfer payments to individuals such as social security and welfare, and grants to other government agencies for road building, education, and other programs. State and county government budgets, on the other hand, represent the direct provision of services such as education, public health, and public safety.

The rapid growth in public spending has not translated into comparable increases in jobs. Overall, public sector jobs have grown at an annual rate of just 2 percent. However, government is still a major employer in Hawaii, employing one out of every five workers, or three-fourths the number of workers in the tourist industry.

Conclusion

According to this overview of Hawaii's emerging industries, the Hawaiian economy is evolving into a qualitatively new and different form. With the exception of tourism and the public sector, the economy is being influenced less and less by a few large industries. Rather, it is developing into a complex mosaic of many small firms working in a variety of different areas.

The implications are twofold. First, small businesses will increasingly become the backbone of Hawaii's economy; and second, because of the diversity of activity, public-policy efforts to stimulate growth will need to focus as much on general policies to improve the general business climate as on specific policies to assist particular industries.

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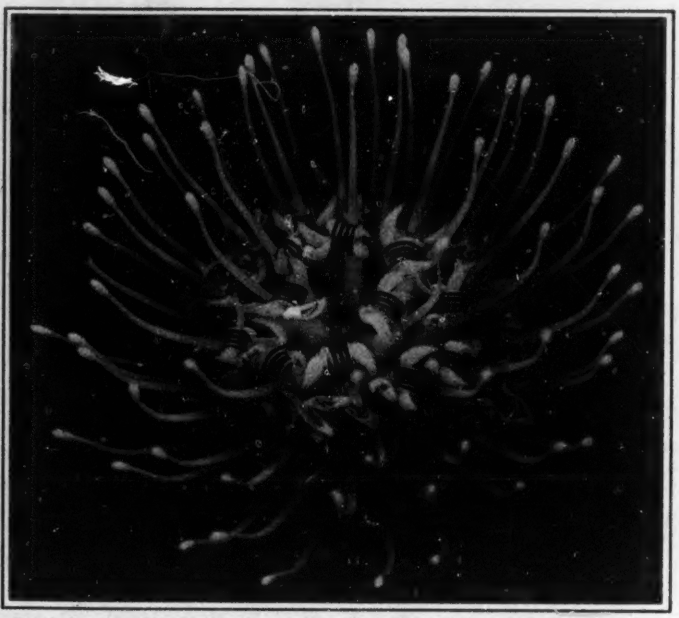

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